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Budget Victory Gives Clinton a Reprieve House Vote Helps Bury the Bad News, But There Are Tougher Fights Ahead

By Dan Balz and Ann Devroy. WASHINGTON — After two weeks of unrelentingly bad news, President Bill Clinton has won a victory in the House that he badly needed. But the question is whether the slim margin of approval for his budget package will prove to be a temporary bright spot for a beleaguered president or the beginning of a turnaround for his administration.



Mr. Clinton signaling approval as he left the White House for Philadelphia on Friday.

Ukraine Near Control Of ICBMs, U.S. Fears Washington Insists Kravchuk Honor His Vow to Renounce Nuclear Arms

By Jim Hoesglund. WASHINGTON — Ukraine is moving to acquire "positive operational control" of the 176 intercontinental nuclear missiles still on Ukrainian territory and could achieve this goal within the next 12 to 18 months, U.S. intelligence has concluded.

U.S. Ponders Letting Firms Do Business With Cuba

By Steven A. Holmes. WASHINGTON — The Clinton administration is considering allowing U.S. telecommunications companies to expand service in Cuba, which would enable private American companies to do business with Cuba for the first time since a trade embargo was imposed in 1961.

NATO's Dithering on Bosnia: Waiting for Washington

By Craig R. Whitney. BONN — Confused and ambivalent signals from Washington about handling the crisis in Bosnia-Herzegovina have thrown NATO into its most serious crisis since the end of the Cold War.

Blast Leaves Italy Outraged And Fearful of the Future

By Alan Cowell. FLORENCE — In the Michelangelo Room, the walls are cracked and empty, and sunlight filters through a broken roof. From the Dossio Room nearby, the empty frames where the windows used to be offer a glimpse of devastation more familiar to the Balkans or Beirut than to this city with its self-image of culture and refinement and taste.



Workers at the Uffizi Gallery in Florence removing one of the more than two dozen canvases damaged or destroyed in the car bombing.

Ben and Jerry Meet Banana Karenina

By Fred Hiatt. PETROZAVODSK, Russia — There were bound to be rough patches when Ben and Jerry's, the Vermont-based ice cream maker known for its rich and sprightly named flavors, set up shop in this city in Russia's far north.

Kiosk Miami Officer Acquitted in Killing

ORLANDO, Florida (AP) — A Miami police officer whose fatal shooting of a black motorcyclist ignited three days of rioting in 1989 was acquitted Friday of manslaughter in his retrial.

Growth in U.S. Scaled Back, Inflation Soars

By Sylvia Nasar. NEW YORK — Growth in the U.S. economy slowed to a near-standstill last winter while inflation sped up, the Commerce Department reported Friday in its second look at how the economy performed from January to March.

Table with financial data including Dow Jones, Trib Index, and The Dollar.

General News: The German high court put restrictions on abortion. Page 4. Britain and France denied endorsement of Serbian territorial gains. Page 2. The Polish government fell, and Lech Walesa said he might dissolve parliament. Page 4.

Business/Finance: If Japanese prices used to be outrageous, they're ridiculous now. Page 11. Off Monaco, a fish-farming revolution. Page 13. Bundesbank officials see no room to ease. Page 13. Money Report: Austrian stocks, bear investment. Pages 16-18.

STATESIDE / NOW, THE SENATE

President Hints He'll Accept Deal On Gay GIs

By Thomas W. Lippman and Ruth Marcus
Washington Post Service

WASHINGTON — President Bill Clinton has signaled that he is prepared to endorse a compromise on the acceptance of homosexuals in the armed forces that would allow them to serve provided they keep their private conduct to themselves.

But Senator Sam Nunn, Democrat of Georgia, the chairman of the Senate Armed Services Committee, again challenged the president on the issue, strongly rejecting any proposal that would officially condone homosexual conduct by members of the armed forces, on duty or off.

Homosexual behavior is illegal under military law, regardless of where or when it occurs, Mr. Nunn said Thursday. In a Senate speech, he opposed creating what he called "safe havens" for prohibited behavior.

Mr. Nunn's hard line creates a political dilemma for the president, who has been seeking a way to resolve the conflict between his campaign promise to lift the ban on homosexuals in the military and the open reluctance of many senior officers and members of Congress to support such a step.

Last week, Representative Barney Frank, Democrat of Massachusetts, who is a homosexual, offered a compromise that would allow gay men and women to serve in the military if their sex life were conducted off duty and off base. Mr. Clinton did not specifically endorse the Frank plan in comments Thursday, but an administration official confirmed that the president was referring to it.

"I think the president has acknowledged that if the choice is between the current policy and a total lift of the ban, we can't win that" in Congress, the official said. "The president has acknowledged that there has to be some compromise on this."

Fielding a question during a televised "town meeting" broadcast Thursday, Mr. Clinton said, "Most Americans believe if you don't ask and you don't say and you're not forced to confront it, people should be able to serve."

The president has set a July 15 deadline for the Defense Department to submit a draft executive order on the issue. He said he was seeking a compromise that would "accept people as people" without the government appearing to endorse a lifestyle.

Mr. Clinton also said he had not called for any change in the Uniform Code of Military Justice. The code bans "unnatural carnal copulation with another person of the same or opposite sex."

Tanya Dorn, a former army captain who monitors this issue for the National Gay and Lesbian Task Force, said it would "not be a problem" for homosexuals if the military simply chose not to investigate or prosecute such cases.

But Mr. Nunn said that was exactly the choice he could not accept. The code "is not simply a code of behavior," he said. "It completely regulates a service member's life, 24 hours a day."

He argued that "readiness, unit cohesion, good order and discipline are not attributes that can be turned on at the base gate and turned off when one leaves."



Mr. Clinton, working the phone in the Oval Office in the hours before the vote on his budget package.

Clinton Braces for Tougher Budget Fight

Compiled by Our Staff From Dispatches

WASHINGTON — The White House, reinvigorated by victory in the House of Representatives on President Bill Clinton's economic plan, vowed Friday to keep up the momentum as it headed into an even tougher battle in the Senate.

"I think the country should be encouraged that the tough decisions are being made," the president said Friday at an Oval Office ceremony. "We're going to bring this deficit down; we're going to try to get the economy to grow; we're going to try to get incomes up again."

The House on Thursday overcame serious reservations within Democratic ranks to narrowly approve the core of the president's economic plan, a combination of tax increases and spending cuts to reduce the budget deficit.

At the end of a day of intense personal pleas by the president, his top aides and Democratic allies on Capitol Hill, the House voted, 219 to 213, to approve his plan for reducing deficit spending by a total of \$300 billion over the next five years.

The bill faces a tougher fight in the Senate. "We're not looking for a fight, but for a very engaged discussion," the White House chief of staff, Thomas F. (Mack) McLarty, said Friday. Senator John B. Breaux, Democrat of Louisiana and a member of the Senate Finance Committee, praised Mr. Clinton for doing "a heck of a job to get this victory" in the House but predicted the legislation is "going to have a tough time in the Senate."

"I think the Senate will move in the direction of cutting spending more and raising taxes less," Mr. Breaux said in a TV interview. "There are going to have to be some changes." For his part, Mr. Clinton said, "We are prepared to move this country forward. I want to do it on a bipartisan basis as much as we can.

I'm very optimistic about what's happened as we move into the Senate."

Putting aside objections to Mr. Clinton's proposed energy tax and fears that the plan relies too heavily on tax increases, conservative Democrats in the House rescued Mr. Clinton from the brink of political disaster and helped deliver the most important victory of his young administration.

Mr. Clinton, trying to build momentum after the victory, said Friday in Philadelphia that, "We are now moving forward with a plan that reduces the deficit." He said the cost of the energy tax — \$17 a month for a family of four — would be more than offset by what Americans are saving in lower interest rates, and he promised the crowd, "There will be no taxes without budget cuts."

At the White House, Thursday was a white-knuckle day as aides were not certain of the outcome until early evening. After the vote, Mr. Clinton emerged from the Oval Office and hailed it as "a victory of growth over gridlock."

In a speech that rallied the Democrats, the speaker of the House, Thomas S. Foley, Democrat of Washington, warned, "We can do nothing, but that would be the greatest of all offenses to the American people."

"This is the time to stand and deliver," he added. All but 38 of the 256 Democrats voted for the plan.

No Republicans voted to support the president. In the debate, they accused Mr. Clinton of resorting to discredited "tax and spend policies" that would damage or hamper industry and produce higher unemployment while doing little to bring down the deficit.

Passage of the president's plan appeared in serious jeopardy until conservative, moderate and liberal Democrats reached a compromise on a measure that for the first time would force Congress and the administration to deal with

runway spending for entitlements — programs whose benefits can be claimed by anyone who qualifies.

The agreement, brokered by the leader of the majority Democrats in the House, Richard A. Gephardt of Missouri, and the director of the Office of Management and Budget, Leon E. Panetta, was crucial because it spared the president 12 to 18 defections by conservative southern Democrats and farm state representatives.

The budget reconciliation bill, which embodies Mr. Clinton's overall strategy for bringing down the deficit over the next five years, includes about \$250 billion in taxes and \$87 billion in savings in entitlement programs, which provide direct benefits, like welfare, Medicare and Medicaid.

The Democratic plan also calls for about \$102 billion of reductions in discretionary spending — primarily military programs — and \$61 billion of savings in interest payments on the national debt.

The new revenue would come mainly from higher income taxes on the wealthy, expanded taxation of Social Security benefits, a one percentage-point increase in taxes on big corporations and the energy tax.

Two-thirds of the tax increase would be borne by families with incomes of more than \$200,000, and three-quarters would be paid by families with incomes of more than \$100,000, according to the Congressional Budget Office.

The overall increase in the tax burden would range from an average of \$24 a year for households earning \$20,000 to \$30,000 to an average of \$23,217 a year for families earning more than \$200,000.

Under the plan, the deficit, estimated at \$302 billion this year, would decline to \$201.9 billion in fiscal 1998. Without the policy changes, the deficit would rise to a projected \$360 billion, according to the budget office. (AP, WP)

★ POLITICAL NOTES ★

Christophe's No Stranger to the White House

WASHINGTON — The continuing investigation into that pressing political question — What price beauty? — has widened with the disclosure that the White House at least twice recently arranged for Christophe of Beverly Hills and a makeup artist to fly from Los Angeles to Washington to coif and beautify Hillary Rodham Clinton for magazine cover photographs.

For the warm and friendly photograph of Mrs. Clinton that adorned the cover of the May issue of Family Circle, which is owned by The New York Times Co., the magazine paid fees and airplane travel costs for Christophe and the makeup stylist that amounted to \$2,000, said Jacqueline Leo, the editor in chief of Family Circle.

It is common for magazines to employ hair and makeup stylists to groom the subjects of photography sessions. Ms. Leo said that although the \$2,000 Family Circle paid "exceeded the industry average for editorial photographs," she added, "Magazines like ours pay for this kind of thing on any shoot at all, whether it is of celebrities, fashion models or simply regular people."

The revelation that a single day's hair and makeup expenses for Mrs. Clinton cost \$2,000 touches a sore spot at a White House already embarrassed about the much-mocked news that Christophe had clipped the president's locks as Air Force One landed on a runway at Los Angeles International Airport last week, closing two of the facility's four runways for an hour. (NYT)

Foggy Bottom Moves to Coordinate Its Line

WASHINGTON — The State Department, which disavowed policy remarks by its No. 3 official, has told top officials that they must clear all future public statements.

The revelation that a single day's hair and makeup expenses for Mrs. Clinton cost \$2,000 touches a sore spot at a White House already embarrassed about the much-mocked news that Christophe had clipped the president's locks as Air Force One landed on a runway at Los Angeles International Airport last week, closing two of the facility's four runways for an hour. (NYT)

From Dan Rather, a Lesson in Objectivity

WASHINGTON — Mr. Clinton got two big helpings of Dan Rather at his most gushing when he spoke briefly to CBS affiliate executives meeting in New York. Mr. Rather and his new co-anchor, Connie Chung, made the introductions at the Waldorf-Astoria when the president appeared via satellite.

Reminded by Mr. Rather that "Connie joins the CBS Evening News" next Tuesday night — we hope you'll be watching," the president replied: "I think you two will be great together. I'm excited about it."

Quote / Unquote

Mr. Clinton, saying that the movies "Casablanca" and "High Noon" were his two favorites of all time, added: "I like to watch old movies." (WP)

BUDGET: A Clinton Victory

Continued from Page 1

Mr. Clinton, said that although the victory Thursday was important to the president, a genuine turnaround in his fortunes depended more broadly on Mr. Clinton's ability to redefine "what we are about" instead of engaging in a national debate over how the deficit should be cut and by how much.

"Everyone has been sucked into believing that what the country's economic future is about is cutting the deficit," Mr. Carville said. "And it isn't."

It is about fundamentally changing the economy to create jobs, to rein in Americans for future jobs and change the direction of the economy," he said. "Bill Clinton did not get elected to cut the deficit. He got elected to change the economy for the better."

Mr. Carville reflects the viewpoint of many of Mr. Clinton's campaign advisers, but one flaw is that for many Americans, the route to a better economy is through a reduced budget deficit.

The coming debate in the Senate will present new tests for the president and his administration. Will Mr. Clinton be able to strike the right balance with wavering Democrats who want to sack back or eliminate his energy tax or will he be forced into wholesale changes in his program?

Will Treasury Secretary Lloyd Bentsen prove to be the skillful Senate operator that Mr. Clinton thought he was getting when he removed him as chairman of the Senate Finance Committee and put him in his cabinet? Will the White House staff be able to regroup enough to avoid the kinds of damaging episodes that have repeatedly thrown the administration onto the defensive?

With health care reform, campaign finance reform and the North American Free Trade Agreement among the other battles coming, Mr. Clinton will need every ounce of skill and discipline he has to keep his program moving forward in the Senate.

Which is why the White House seemed so jubilant after the Thursday night vote. As one Democrat put it, "It may be small, but it's a win."

Staff Shake-Up Planned

Mr. Clinton's chief of staff said Friday that he would soon be making personnel changes designed to get the White House back on track. The New York Times reported from Washington.

48% of Rape Cases Untried, Senate Says

By George Lardner Jr.
Washington Post Service

WASHINGTON — Almost half of all rape cases in the United States are dismissed before trial, and almost half of the rapists who are convicted serve less than a year in prison, according to a Senate Judiciary Committee report.

"The disparity in how our system prosecutes rape, in contrast to other violent crimes, mirrors the disparity in our society's attitude toward these acts," Senator Joseph R. Biden Jr., Democrat of Delaware, the panel chairman, said in announcing the results of the six-month study, which was conducted by the panel's Democratic staff. Those accused of robbery and murder, the report indicated, are much more likely to be tried and convicted.

The study was made public Thursday in conjunction with the committee's unanimous approval of a Violence Against Women Act, which would stiffen penalties for federal sex offenses, provide about \$500 million in grants to reduce attacks against women and permit victims of sex-based felonies to sue their attackers for damages without waiting for criminal prosecution.

The report on rape prosecutions was based on a survey of justice agencies in states representing more than 50 percent of the population. It found that only about one of every 10 rapes reported to the police resulted in prison time.

"Almost half (48 percent) of all rape cases are dismissed before trial," the study reported. Of those who are convicted, 21 percent are released on probation and 24 percent are sentenced to a local jail, "which typically means they will spend 11 months behind bars."

Although statutory sentences for forcible rape often include life imprisonment, the committee staff reported, they are frequently

diluted by judges and prosecutors who tend to favor sentencing "all first-time offenders" — including rapists — to probation on the theory that first-time offenders are less dangerous to the community.

Calling that assumption questionable for rape cases, the committee said, "It means that a convicted rapist may rape twice, in effect, before he ever sees the inside of a prison cell."

One of the main problems, according to the study, is that prosecutors are hesitant to bring any case "in which the offender knew the victim."

Such mindsets lead to widespread underreporting of rape and family violence cases. "According to conservative estimates, as many as 84 percent of rapes each year are never reported," it said.

FBI statistics show that 102,555 rapes were reported in the United States in 1990.

President Signs Order On China

Agence France-Press

WASHINGTON — President Bill Clinton renewed China's most-favored-nation trade status for a further year Friday, but warned that any extension beyond June 1994 would depend on progress in human rights.

"We are prepared to build a more cooperative relationship with China and wish to work with China as an active member of the international community," Mr. Clinton said at the signing ceremony.

"I have said that we do not want to isolate China, given its growing importance in the global community," the president said.

But Mr. Clinton said Washington expects an improved human-rights record by Beijing, including more humane treatment of prisoners, protection of the Tibetan culture and allowing international radio and television broadcasts into China.

"We are concerned that many activists and pro-democracy leaders, including some from Tiananmen Square, continue to languish behind prison bars in China for no crime other than exercising their consciences," Mr. Clinton said.

The leader of the Senate's Democratic majority, George J. Mitchell of Maine, said Friday that the trade decision sent an important message to Beijing.

"This is a significant day," Mr. Mitchell said. "It is the first time we have attached human rights conditions to trade. It sends strong and clear message of unified American determination to achieve change in China."

Jackson Asks Reparations for Africa

The Associated Press

LIBREVILLE, Gabon — The Reverend Jesse L. Jackson has called for Western nations to pay slave reparations to Africa, and likened Western lending practices to Africa to lynch mobs.

"They no longer use bullets and ropes," Mr. Jackson told a five-day meeting of 11 African heads of state and U.S. black leaders that began Sunday. "They use the World Bank and the IMF."

The World Bank and the International Monetary Fund, the major international lending institutions, help developing countries reform their economies.

Mr. Jackson said Western governments demanded democratic changes in African countries. But he said the stringent economic reforms imposed by the international lending institutions prevented Africa from pushing ahead with democracy.

He echoed the comments of some of the more than 1,000 African-American delegates at the African-American Summit. Among them are the leader of the Nation of Islam, Louis Farrakhan; Governor L. Douglas Wilder of Virginia; Coretta Scott King, the widow of Martin Luther King, and an actor, Deuzel Washington.

Delegates asked for slave reparations in the form of debt relief for African nations, who collectively owe \$255 billion.

"The slave trade was the first substantial U.S. foreign trade policy," Mr. Jackson said. Mr. Jackson asked the World Bank and the IMF to help make Africa's currencies convertible on the world market.

Mr. Jackson said, "We must applaud your efforts at democracy and stability. You are our friend."

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Away From Politics

- Racing to avert a court threat to cut off money for Texas schools, legislative leaders agreed on a novel plan that would allow poor school districts to levy taxes on property in wealthier districts elsewhere in the state. The proposal would force wealthy districts to choose from options for helping out poorer schools, such as sharing part of their tax base with them, providing teachers and other help or seven merging with nearby poor districts.
- The U.S. Air Force launched a small rocket with 13 ejectable packages on Friday to test sensors designed to track enemy missiles and distinguish between warheads and decoys. The Red Tigris II rocket was fired from Cape Canaveral. The sub-orbital flight, similar to one conducted Sunday, lasted just 15 minutes.
- A mystery illness that killed eight Navaho has epidemiologists baffled. Eight of fourteen cases

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Phnom Penh May Not Be a Good Loser

By Philip Shenon
New York Times Service

PHNOM PENH — On the last day of voting in what has been an unexpectedly peaceful election on Cambodia, senior United Nations officials and diplomats warned Friday of concerns that the incumbent government would try to hold on in power even if its political party were defeated at the polls.

A senior United Nations official said the head of the UN peacekeeping force in Cambodia, Yasushi Akashi of Japan, had received daily complaints from the government this week of purported irregularities in the voting.

"We're concerned that the S.O.C. is laying the groundwork to claim that the election was unfair, and then to hold on to power by force," said an Asian diplomat, using the initials for the State of Cambodia, the formal name for the Vietnamese-installed government. "They do seem worried that they are going to lose what has been a very fair election."

The state radio network has begun carrying reports about the so-called irregularities, which are said to include possible ballot-box tampering during the six days of voting.

UN peacekeepers, diplomats and international election monitors said the accusations were groundless but were still worrisome because they suggested that the government might refuse to accept the results.

Opposition parties have not made similar claims of irregularities. In fact, the election director of the leading opposition party described the vote this week as "probably the fairest election that Cambodia has ever seen," and he said the party, known by the French acronym FUNCINPEC, would abide by the results, whatever they are.

"We will not contest the results," said the director, Ung Huot. He added, however, that "I think FUNCINPEC will win by a landslide."

By the end of the voting Friday, nearly 90 percent of Cambodia's 3.7 million registered voters had cast ballots, which UN officials and diplomats described as a remarkable turnout — all the more remarkable given the widespread belief a week ago that many Cambodians would be too frightened to vote because of threats of violence by the Khmer Rouge.

Secretary General Bontros Boutros Ghali said Friday that "the spectacularly high voter turnout is eloquent testimony to the confidence that UNTAC has inspired among the people of Cambodia, as well as to their deep yearning for participatory democracy." UNTAC is the acronym for the peacekeeping force, UN Transitional Authority in Cambodia.

A delegation of international observers led by Andrew Peacock, a former Australian foreign minister, said that "it is clear to us that the poll has been as fair and free as could reasonably be expected and, as such, is a clear expression of the will of the Cambodian people."

The ballot counting will begin Saturday. UN officials said they hoped to have the final tally sometime next week.

"I'm delighted by everything I've seen in this election," said Charles H. Twining, the senior American diplomat in Cambodia. "By all appearances, it certainly in our view meets the qualifications of being a free and fair election."

"For the first time since I arrived here in 1991, I've seen Cambodians who are happy," said Mr. Twining, who speaks the Khmer language and talked with voters throughout the country. "Wherever I went, I always heard the same thing — peace, they saw the vote as tantamount to peace."

Mr. Twining said he was hopeful that the government of Prime Minister Hun Sen would live up to its promise of a peaceful transfer of power if its political party, the Cambodian People's Party, loses the election.

At the same time, he said, there are "worries naturally that a party that loses will react in some way." If the government party is defeated, he said, "does S.O.C. use their police, their secret police, their military, to reinforce their dissatisfaction?"

During the election campaign, the authoritarian government and its political parties were linked by the United Nations to a campaign of voter intimidation that included the murder of opposition political leaders.

Most of the harassment was directed against FUNCINPEC, the French acronym for the National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia. The party was founded by Cambodia's former monarch, Prince Norodom Sihanouk, and is now led by one of his sons.

The incumbent government was installed by Vietnam in 1979, after the Vietnamese Army invaded Cambodia and toppled the regime of the Khmer Rouge, whose four-year reign of terror left up to 2 million Cambodians dead from starvation, disease and execution.

After their ouster, the Khmer Rouge re-mobilized as guerrillas and have sought to fight their way back to power.

The Maoist rebels signed a 1991 peace treaty intended to end the civil war but backed out of the agreement last year, claiming that the United Nations was siding with the government of Mr. Hun Sen. They boycotted the election and threatened to sabotage it with violence.

Confidence of leadership, the Clinton administration seems to be radiating self-doubt.

A speech last week by Peter Tarnoff, under-secretary of state for political affairs, that seemed to lower expectations of American leadership was clarified by the White House and by Mr. Christopher later, but the damage had been done. A German newspaper, Die Welt, suggested that Mr. Christopher was a "product of the Cold War" who was not up to the new challenges and should be replaced.

Mr. Clinton's narrow budget victory in Congress Thursday night may change the image of weakness that with extraordinary rapidity replaced the hopeful portrayals of a young and dynamic new president that filled the European press only two months ago.

The Europeans would welcome stronger leadership on the Balkans, if only because their own efforts to deal with the war there up to now have proven to be unmitigated failures. Europe has nothing remotely like NATO to deal with such crises, as even the leader of the Western European Union, which hopes some day to become the first really effective European pillar of the alliance, conceded recently in Brussels.

"Our credibility has fallen very low in the Balkans," said the secretary-general of the Western European Union, Willem van Eekelen. "but Europeans say that if the U.S. provides only minimal forces there, then there's no need for it to take the command role. We are all looking to the U.S. to take the lead again."

France, often the ally most troublesome to the United States in the past, has vigorously defended the compromise, but as Foreign Minister Alain Juppé said in an article in Le Monde on Friday, its effectiveness depends on credible military strengthening of the mandate of the UN forces that would defend the population inside the safety zones.

"The Russian Federation declared its readiness to provide troops in Bosnia," he wrote. "We have not yet been able to convince the United States to do the same." All the Clinton administration has said it would do is provide air cover if the UN forces, not the refugees, come under attack.

The crisis is a threat not only to the alliance but also to the American interests in Europe that NATO was set up to defend. Six of the 12 leading foreign importers of American goods are European. Six of the 10 countries with which the United States has the largest trade surpluses are European. American trade with Europe was \$200 billion in 1991.

Instability spreading from the Balkans into this area would cost the United States as dearly

NATO: Still Dithering on Bosnia and Waiting for U.S. to Show Leadership

Continued from Page 1

refugees and American air power to protect whoever finally sends forces in.

Though every country except Russia involved in the compromise was a member of NATO, the 16 defense ministers meeting in Brussels on Wednesday could not agree on a communiqué endorsing the plan.

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in the 1990s as it did 50 years ago, after Americans made the mistake of thinking Europe's troubles were no concern of theirs.

Past crises in the trans-Atlantic relationship have nearly always resulted when the allies got the impression that the United States did not know what it wanted. Seldom has the impression of confusion in Washington been as strong as over the 13 months of the Bosnian crisis, in both the Bush and Clinton administrations.

The last time the allies drifted this far apart was in the late 1970s and early 1980s over a NATO decision to deploy American medium-range nuclear missiles to counter equivalent Soviet ones. Uneasiness, particularly in Germany, about what seemed to be a confrontational approach by the Reagan administration deepened the crisis, but the seeds had been sown by the confusing signals President Jimmy Carter had sent out in 1978 when he canceled a decision to deploy a neutron bomb he had earlier pressed the Germans and the other allies to accept.

Mr. Carter's national security adviser, Zbigniew Brzezinski, tried to get him to stick with his decision. "I still made my pitch to the effect that this decision, which involves a reversal of everything we have been doing for the last four months, will stamp him as weak and will be so construed elsewhere," Mr. Brzezinski wrote in his memoirs, "Power and Principle."

"I made the point that leadership means making the decisions which the Europeans are not prepared to make," he wrote.

Fifteen years later, it still means that. But

Confidence of leadership, the Clinton administration seems to be radiating self-doubt.

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France, often the ally most troublesome to the United States in the past, has vigorously defended the compromise, but as Foreign Minister Alain Juppé said in an article in Le Monde on Friday, its effectiveness depends on credible military strengthening of the mandate of the UN forces that would defend the population inside the safety zones.

"The Russian Federation declared its readiness to provide troops in Bosnia," he wrote. "We have not yet been able to convince the United States to do the same." All the Clinton administration has said it would do is provide air cover if the UN forces, not the refugees, come under attack.

The crisis is a threat not only to the alliance but also to the American interests in Europe that NATO was set up to defend. Six of the 12 leading foreign importers of American goods are European. Six of the 10 countries with which the United States has the largest trade surpluses are European. American trade with Europe was \$200 billion in 1991.

Instability spreading from the Balkans into this area would cost the United States as dearly



Mrs. Suchocka and members of her coalition watching the tally Friday on an electronic screen.

Government Falls in Poland

Walesa May Dissolve Parliament and Call New Vote

By Jane Perlez
New York Times Service

WARSAW — The Polish government, led by the country's first woman prime minister, Hanna Suchocka, collapsed Friday, losing by one vote a no-confidence motion called to protest her tough budget policies.

It was the fourth government to fall since the Communists were overthrown in 1989.

The defeat of the popular prime minister left Poland's immediate political future, once again, in the hands of President Lech Walesa, the former Solidarity leader who was elected president in 1990.

Despite the setback, most finance experts and even Polish business people who are at the core of the country's increasingly successful reforms said the strong movement toward a market economy would be difficult to reverse.

Mrs. Suchocka, 46, offered her resignation to Mr. Walesa at an extraordinary meeting of the Council of Ministers shortly after the 9 A.M. parliamentary vote, but the president did not accept it. Mrs. Suchocka remains caretaker prime minister until Mr. Walesa makes a move, probably by Monday, politicians said.

By the end of a day of confusion and closed-door meetings at government buildings, Mr. Walesa had made no formal statement. Politicians said he appeared to be weighing two options.

Under Poland's new Constitution, approved in November, Mr. Walesa can either accept Mrs. Suchocka's resignation and appoint a new prime minister or he can dissolve the parliament and call new elections.

Mrs. Suchocka, who took power last July and was the first woman leader in Poland since the Angevin Queen Jadwiga reigned in the 14th century, garnered high ratings in the opinion polls. The smart public demeanor she brought to the prime

minister's office won admiration from a public weary of the more familiar Mr. Walesa, whose epithet as Poland's Everyman has been wearing thin.

Mr. Walesa has appeared to undermine Mrs. Suchocka, at times hinting that he might install a government of his own "experts" and at other times suggesting every Pole should be given 100 million zlotys (\$6,250) from the government Treasury. He even threatened to sign the bill increasing pensions that she had stalwartly opposed on the grounds that there was not enough money in the Treasury.

However, as it became increasingly clear that her coalition might go under, Mr. Walesa praised Mrs. Suchocka as "the best premier we have had."

His old trade union, Solidarity, was the final undoing of the Suchocka government. Her insistence on not granting raises to striking health workers and teachers and her refusal to approve increases in pensions incurred the union's wrath. The Solidarity leaders complained that she was introducing capitalism with an "inhuman face."

Mrs. Suchocka argued that increases in social payments would jeopardize the economic transition and threaten the agreements to reduce Poland's debt.

In the vote Friday morning, Mrs. Suchocka's fragile six-party coalition won 222 of the 445 votes cast. She needed one more than 50 percent of the votes to defeat the no-confidence motion.

There was some talk that Mr. Walesa might accept Mrs. Suchocka's resignation and then respond her. But for that scenario to work, she would have to be able to patch a new coalition together, a prospect that she has suggested would be tough.

"Finding a new coalition in this parliament will be extremely difficult," she said Friday.

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CUBA: U.S. Considers Expansion of Telephone Links

Continued from Page 1

an escrow fund. In moving to ease telephone contacts between Cuba and the United States, President Bill Clinton appears to be shifting from the hard-nosed rhetoric he employed during the campaign.

"This administration has missed a big opportunity to put the hammer down on Castro," Mr. Clinton asserted during a campaign stop in Miami on April 24, 1992.

Mr. Clinton endorsed the Cuban Democracy Act, which tightened the U.S. trade embargo. That act, sponsored by Representative Robert C. Torricelli, Democrat of New Jersey, prevented even subsidiaries of U.S. companies operating abroad from doing business with Cuba and bars U.S. ships that call at the island from docking at American ports for six months.

But the act gives the president the power to provide telecommunications services between the United States and Cuba. It also permits the president to allow full or partial payment to Cuba of revenues from that service. The administration is considering using that exemption to expand contacts with Cuba. The question of payment to the Cuban government is crucial.

The issue revolves around a number: How much money is going to go to Cuba? said a congressional aide familiar with the law. "Nobody is going to object to improved telecommunications services. What some groups will object to is how much money will be paid to Cuba. Estimates range from \$1 million a year to \$10 to \$12 million four or five years down the road."

Among those companies eager to see a modification in U.S. policy is AT&T. The company has been providing services between the two countries via a microwave tower in Goulds, Florida, and a radio transmitter in Florida City, Florida.

Company officials said the scarcity of circuits permitted only about 500,000 of the more than 60 million calls attempted each year to and from the island to be completed. The number was reduced to

about 125,000 a year after the two facilities were severely damaged by a hurricane last August.

The Bush administration also sought to liberalize telephone communication links to Cuba, granting AT&T an exemption to the embargo in 1991 that would have permitted the company to activate an undersea cable that runs from West Palm Beach, Florida.

The company would have paid the Castro government \$400,000 as reimbursement for costs associated with hooking up the cable and with hooking up a microwave tower in Goulds, Florida, and a radio transmitter in Florida City, Florida.

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About the Author

Born in Germany, Dr. Gerhard Kurtz has been an investor in 17 countries for most of his working life. His unimpeachable style of journalism has caused many to try and suppress him through civil and criminal proceedings (nearly all were unsuccessful).

A confirmed cosmopolitan, Dr. Kurtz has been an editor of several German magazines, a Brazilian columnist for "Stress" and "New Europe" and has written several books including "How to Avoid Taxes", "How to Make Money" and "How to Get Your Right". He also created "Kurtz's Reports", a successful financial newsletter and has written a series of "Secret Reports" on hot issues such as Tax Evasion and the Sale of Titles.

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Show on Christ Canceled in N.Y. After Complaints

Agency France-Press

NEW YORK — The New York performances of the French-produced multimedia show "Jesus Was His Name" were postponed Friday amid charges that it has anti-Semitic overtones.

Radio City Music Hall postponed the performances, scheduled for June 2 to 13, and refunded tickets after Jewish organizations here complained that the play portrayed Jews negatively and blamed them for the death of Christ. It said it would reschedule the Robert Hossein spectacle once the dispute had been resolved.

Rabbi James Rudin of the American Jewish Committee said the play would send a destructive message.

A spokesman for the National Conference of Catholic Bishops sharply criticized a scene in which Jesus chases from the temple Jewish priests wearing dark masks and making hissing noises. "It is difficult to imagine a more negative portrayal of Jews and Judaism," Mr. Hossein argued that the masks represented "the Inquisition." He said the text of the play was taken directly from the Gospels.

The show is about one-fourth of the way through a 30-city U.S. tour that had previously been without complaint.

MISSILES: Who's in Control?

Continued from Page 1

on Kiev. But the Americans are trying reassurance and offers of cooperation to Kiev.

This turn of policy was adopted after Mr. Christopher and Strobe Talbott, the department's top strategist on ex-Soviet matters, concluded that the administration had succeeded in its policy objective of bringing up Boris N. Yelstin's government and in gaining Moscow's trust.

Mr. Talbott went to Kiev earlier this month and emphasized to Ukrainian officials that the United States was prepared to work with Ukraine on a "security dimension" of the relationship once Ukraine signed the nonproliferation treaty and ratified the START-2 arms control treaty as previously promised, according to a U.S. official.

Mr. Talbott avoided the words "security guarantee," which convey a NATO-like obligation to defend Ukrainian territory against outside attack.

This would be unworkable and would make future cooperation

Bundesrat Vote Clears Way for Curb on Asylum

Reston

BONN — Germany's planned crackdown on asylum-seekers cleared its last legislative hurdle Friday when it was approved overwhelmingly in the upper house of parliament, the Bundesrat.

The Bundesrat, made up of representatives from Germany's 16 federal states, opened the way for the constitution to be amended so that Bonn can close its borders to hundreds of thousands of immigrants.

Conservatives, arguing that most immigrants are merely seeking a better life and do not face political persecution, said the reform of Europe's most liberal asylum laws will help choke off an influx now running at around 440,000 a year.

A parliamentary debate in the lower house Wednesday set off a demonstration by thousands of protesters, arguing that Germany has a moral obligation to let in refugees to atone for its Nazi past.

The cornerstone of the new policy is a law allowing the police to turn away migrants at the border without a hearing if they enter Germany through a neighboring country or from "secure third countries" where human rights are respected. The new rules will take effect July

High Court In Germany Restricts Abortion

By Stephen Kinzer
New York Times Service

BERLIN — Germany's highest court threw out a liberal abortion law Friday and imposed restrictions that infuriated some women, especially from Eastern states, where abortion has been freely available for 20 years.

The court, taking on an issue that is as hotly debated here as in the United States, ruled that abortion should remain illegal, although it should not be punished if it takes place during the first three months of pregnancy.

As a result of this decision, health insurance plans will not be allowed to pay for most abortions, and state-supported hospitals may not perform them.

The court also ruled that women seeking abortions must receive counseling. It said such counseling should not be a "merely informational" recital of available options, but rather an active effort to persuade women to continue their pregnancies.

"The woman must be aware that the unborn child has its own right to life," the court said. "Abortion can only be considered in exceptional circumstances."

Roman Catholic bishops hailed the ruling and said in a statement, "The real winner is humanity."

Chancellor Helmut Kohl praised the court for having declared itself "clearly in favor of truly protecting unborn life." He said he expected all federal agencies to move swiftly toward full compliance.

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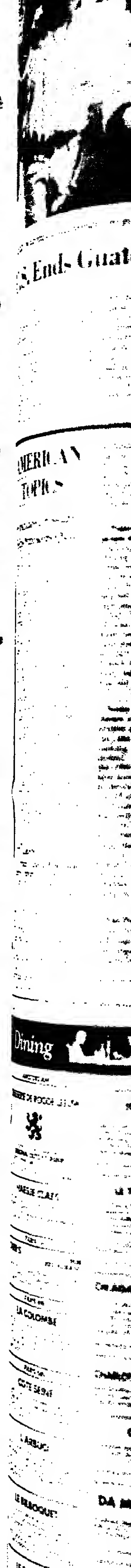
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APPLICABLE



Military policemen in Guatemala City grabbing a protester Friday in front of the Supreme Court after the suspension of democracy.

When a Coup Fails, Charge Corruption

By Don Podesta and Tod Robberson

Washington Post Staff

WASHINGTON—Latin American leaders have discovered something new in the region's often tumultuous political arenas: corruption.

Traditional political enemies, once likely to fall back on coups or insurrection to carry their arguments, are turning to public accusations of corruption to gain the upper hand. Sometimes a president shuts down a congress and judicial system; sometimes a congress or a court impeaches an executive.

The score since April 1992: presidents 2, legislatures 2.

Corruption has always been around in Latin America—some say more than in other regions. But it is no longer regarded as inevitable, and politicians are using it as a weapon to bludgeon opponents or curry favor with the public.

Under the banner of the war against corruption, for instance, President Jorge Serrano Elias closed Guatemala's legislature and courts on Tuesday. He said the move was designed "to purge the state of all its forms of corruption, with which you and I are totally fed up."

Last week, Venezuela's president, Carlos Andrés Pérez, became the second Latin American president in less than six months to be impeached on charges of corruption. Brazil's Fernando Collor de Mello was removed from the presidency in late December—even though he had resigned at the last minute—for pocketing millions of dollars in a kickback scheme.

President Alberto Fujimori of Peru gave corruption as a reason when he seized power a year ago with military support.

The issue has been two-edged. It appears to fortify Latin America's new democracies by legally forcing out crooked leaders, while also being used as an excuse to quash democratic

institutions. But overall, in a variety of ways, Latin Americans are no longer conducting their politics as usual, and one reason is the focus on corruption.

Among the developments: In Chile, voters of the ruling coalition, a group of several parties that defeated the longtime dictator Augusto Pinochet in 1990, held the first primary election in the country's history last Sunday. Eduardo Frei, a Christian Democrat and son of the 1970s president of the same name, was chosen as the coalition's presidential candidate for the December vote.

Earlier this month, Paraguay held its first open election for a civilian president in its 182-year history.

Bolivia has averaged more than one government a year since independence, most installed in coups. But it is in the midst of a wide-open race for president to be decided in elections June 6.

In Argentina, President Carlos Saúl Menem is pushing for a change in the constitution that would allow his re-election. Although most Argentines agree that constitutional reform is necessary, surveys indicate that Mr. Menem's re-election bid is opposed by a wide majority. An equally large majority cite corruption in government as an important issue.

In Brazil, the fourth economics minister in the five months since Mr. Collor's departure was sworn in last week. The previous minister, Eliseu Resende, was forced to resign because he pushed a \$115 million loan to Peru for an irrigation project in which the construction company that once employed him was a leading bidder.

At first, President Itamar Franco refused to move against Mr. Resende, but it eventually became clear that he would lose what support he had in Congress if he did not take action. Brazilian surveys show that the public is

more concerned with corruption than with the country's wild inflation and recession.

One possible reason for Latin American leaders' newfound interest in cleaner politics is economic. With the demise of the Soviet bloc, the socialist model of development has disappeared from nearly all of Latin America. Open markets and free trade have captured the regional imagination as a possible way out of Third World poverty. This is leading toward an emphasis on application of clear-cut rules instead of bribes or patronage.

There is also increasing sentiment that both gain and sacrifice should be shared more equitably than in the past. For instance, the Venezuelan public's awakening to post-barrel politics—and the subsequent impeachment of Mr. Pérez—was not based so much on outrage at corruption, but outrage that corruption was evident as Mr. Pérez was asking the public to make sacrifices for the sake of his economic reforms.

Ruth Capriles, a Venezuelan who is co-editor of the three-volume "Dictionary of Corruption," said the Venezuelan public had come to expect corruption as a normal aspect of government.

But as the lower and middle classes felt the effects of Mr. Pérez's cutbacks, his popularity plummeted and more people began to demand his overthrow through democratic means. The military tried two coups in 1992, but both times failed to rally public support.

When a prosecutor leveled charges of corruption against Mr. Pérez, the public finally found a cause to which it could rally.

Mexico provides one notable exception to the region's trend toward grass-roots movements. The actions in Venezuela and Brazil have been widely publicized in Mexico but still have not produced a public outcry for change. The reason, analysts say, is that although the public is aware of corruption, it feels powerless.

U.S. Ends Guatemala Aid After Serrano's Move

The Associated Press

WASHINGTON—The United States has cut off more than \$30 million in assistance to Guatemala because of the suspension of democracy there, while again appealing to President Jorge Serrano Elias to reverse his actions.

The U.S. decision suspended cash transfers to the Guatemalan government and military and police training programs. The cutoff also applied to development assistance and food aid through the government. Aid channeled through private groups, including humanitarian assistance, can continue.

The announcement by the State Department did not provide a figure on the value of the suspended aid, but officials said it was in excess of \$30 million.

The State Department said Wednesday that \$45 million in food aid and development assistance had been planned for Guatemala in fiscal 1993 as well as \$2.5 million in anti-drug aid and \$400,000 for military training.

On Tuesday, Mr. Serrano dissolved the Congress and the judiciary. He plans to rule by decree until a new constitution is drafted.

The State Department spokesman, Richard

A. Boucher, said the suspension of the constitution as well as the suppression of press freedom were signs that Guatemala was "on a dangerous course leading to further repression and further threats to democracy."

American officials are concerned that Mr. Serrano's action could provoke similar moves elsewhere in Latin America.

There were parallels between Mr. Serrano's action and that of President Alberto Fujimori of Peru 13 months ago. Both had military support.

AMERICAN TOPICS

Workplace Pressure Helps Smokers Quit

Co-workers can be more influential than a spouse, children, doctor or friends in getting a smoker to kick the habit, a new study suggests.

"A large chunk of your self-esteem, your self-concept is wrapped up in your work," says Cheryl Gore-Felton, who is working toward a Ph.D. in counseling at Stanford University, "so it becomes real important how those people who are there perceive you."

The study involved 112 adult long-time smokers who filled out a questionnaire. Co-workers' attitudes proved the strongest of the social pressures measured. They were followed in order by attitudes of the smoker's children, doctor, friends and spouse.

Spouses ranked lowest by a wide margin. Smokers appear to perceive the attitudes of a spouse or a doctor as imposing pressuring demands, Miss Gore-Felton said.

Short Takes

The Arthur Ashe Library and Resource Center will be dedicated next month in Washington. Situated in a refurbished 18-year-old mansion, it is named after the tennis star who died of AIDS in February. He campaigned for years to raise money and support for the center. It will focus on the ties binding black Americans with the lands of their African and Caribbean ancestors. The center was built with \$3.5 million

in donations from corporations and private citizens. Sugar Ray Leonard, the boxer, contributed \$250,000, and Bill Cosby, the entertainer, hosted two dinners that netted more than \$340,000, a spokesman said.

Pepsi-Cola hopes to get more people to buy its 24-can pack by stacking them in two tiers, replacing the current, cumbersome one-tier model. The two-tier model—a dozen cans, three by four, set on top of another dozen, wrapped as a unit and given a handle—is called The Cube. "A painfully obvious idea," a Pepsi spokesman said, reconfiguring the cans makes them "much easier to carry." A spokesman for Coca-Cola said the rival company had tested the idea and was still evaluating it.

Some public school gym classes are now dropping competitive sports in favor of group fun, like aerobics, interpretive dancing or pushing a huge ball around. Aldie Kohn, author of the 1986 book "No Contest," says competition in the gym, as in the classroom, has "destructive effects—snobbery, a sense of failure." This does not sit well with John Leo, who writes the "On Society" column for U.S. News & World Report magazine. Mr. Leo says, "People can lose without humiliation and win without feeling superior. Through sports, children learn how to handle defeat as well as victory."

The Post House, a New York steak restaurant, is running half-page newspaper ads under the slogan, "Horrifying Vegetarians Since 1980."

Arthur Higbee

New hope for GATT accord

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Greece Dr.	75,000	41,000	22,000
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Italy Lire	500,000	275,000	150,000
Luxembourg L. Fr.	14,000	7,700	4,200
Netherlands Fl.	770	420	230
Norway N.Kr.	3,500	1,900	1,050
Portugal Esc.	47,000	28,000	14,000
Spain Ptas.	48,000	28,500	14,500
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Sweden (airmail) S.Kr.	3,100	1,700	900
— hand delivery S.Kr.	3,500	1,900	1,000
Switzerland S.Fr.	610	335	185
Rest of Europe, N. Africa, former French African, Middle East \$	630	345	190
Gulf States, Asia, Central and South Africa \$	780	430	235
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High Court In Germany Restricts Abortion

Herald Tribune

Published With The New York Times and The Washington Post

American Foreign Policy?

From Secretary of State Warren Christopher to White House Press Secretary Dee Dee Myers, administration officials have been rushing to distance themselves from background remarks that Undersecretary of State Peter Tarnoff made at a reporters' luncheon on Tuesday. Persisting in the strange conventions of government doublespeak even after Mr. Tarnoff's identity became widely known, Ms. Myers on Thursday referred to the State Department's third-ranking official only as "Brand X."

Mr. Tarnoff's argument is less foolish than the charade it provoked. He insisted that the administration's decision to defer to European preferences over Bosnia was not the amateurish stumble many perceived it as, but a considered choice based on a new approach to the post-Cold War world.

With superpower rivalries at an end, he argued, it was generally appropriate for the United States to pursue a less interventionist, more multilateral foreign policy, acting on its own only when vital interests close to home were threatened. And Washington must make every effort to keep the expenditure of American resources commensurate with the interests at stake.

That is a defensible, even sensible doctrine. And, despite the administration's disclaimers, it seems to describe what we have seen of the Clinton approach. So why leave its defense to cover briefings by unnamed senior officials? If the doctrine is to win public acceptance, it needs to be acknowledged and explained by Mr. Tarnoff's boss, Secretary Christopher and President Bill Clinton.

Many Americans hoped that the end of global confrontation would free the United States from having to devote so much of its energy to expensive engagements far from home. On the campaign trail, Mr. Clinton himself spoke of a less militarized foreign policy that would still keep America engaged with the world and promote its values. But it is proving a messy business for the world's leading military power to begin disengaging itself responsibly —

particularly when it is led by a president who thinks it impolitic to dwell too much on foreign policy and who seems self-conscious about his own lack of military credentials. Too often the result has been a hybrid creature that claims to be acting like George Bush even when it most looks like Jimmy Carter.

Neither is an ideal exemplar for the 1990s. A better approach could be built around Mr. Tarnoff's suggestions. But these must be applied flexibly. And sometimes Washington will have to take the lead in mobilizing multilateral action and pay heed to such psychological necessities as maintaining credible threats and leveling with the public.

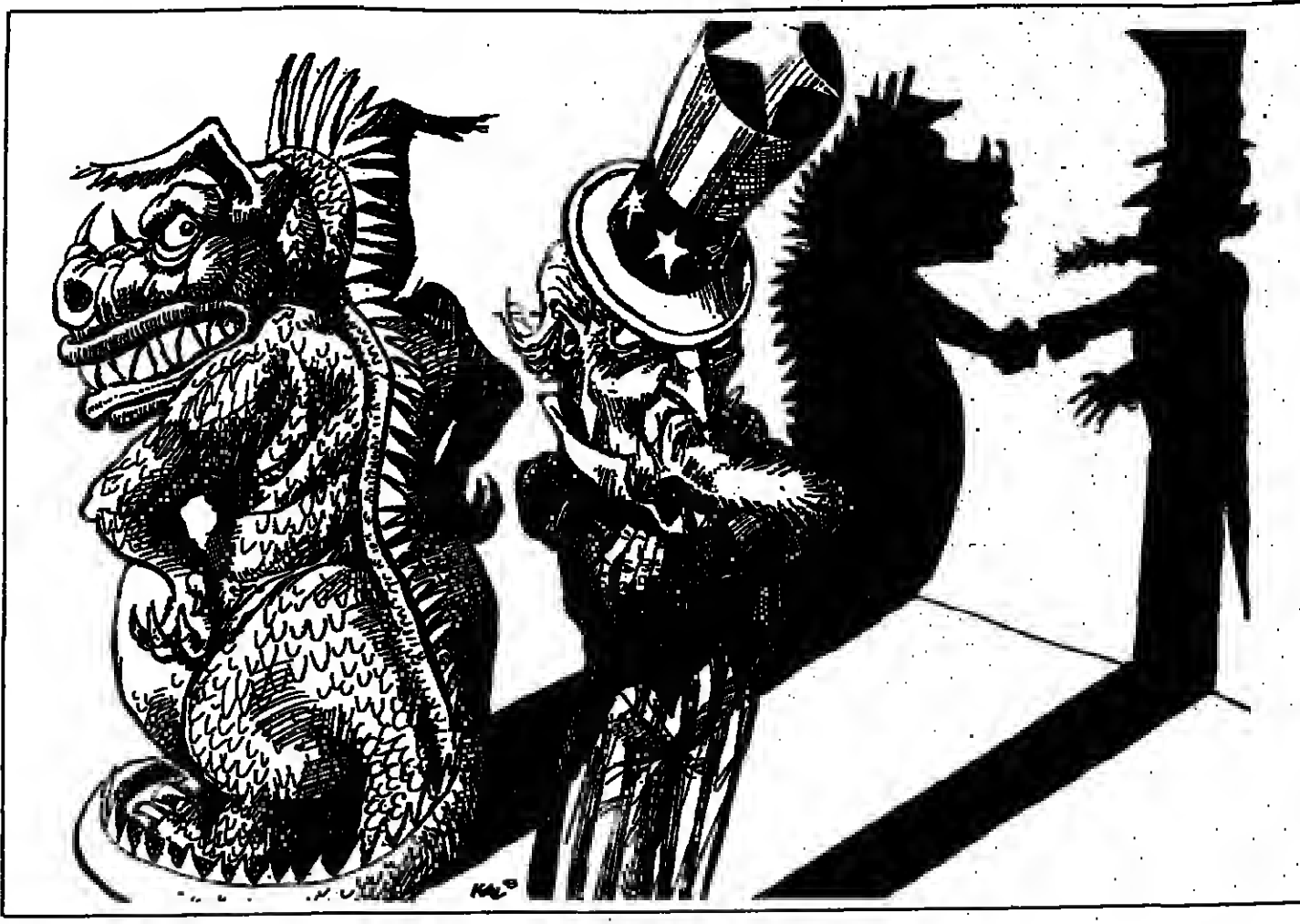
Whatever the administration thought it was doing over Bosnia, for example, its clumsy sequence of public threat and retreat left other countries wondering how seriously to take American diplomatic pressures and warnings.

One quick way to repair the damage would be to put real pressure at last on the thugs and drug traffickers now ruling Haiti, who have once more shown their contempt for international mediators and White House pronouncements. Even under the Tarnoff guidelines, it could be made plain that the use of military force to restore democratic rule was no longer absolutely excluded.

Another need is to bring more coherence to the Clinton foreign policy message. A thoughtful presidential speech on American values, interests and priorities in the world could help enormously — especially if he then matches deeds to words.

President Clinton rightly wants to concentrate on the economic problems he was elected to address. The best way to minimize foreign distractions is to define his own clear course, not simply react to events. Previous Democratic presidents learned that lesson too late, at enormous cost to their domestic agendas and to their presidencies.

—THE NEW YORK TIMES.



Presidency: In Peacetime the Leader Is Congress

By George F. Will

WASHINGTON — In 1878, when football was new on the scene, Tommy Wilson, a Princeton undergraduate and informal football coach, wrote, "Everything depends upon the character of the captain and president" of the team. Years later Mr. Wilson, then known by his middle name, Woodrow, would think of government the way he had thought of football.

He said that when a president has the confidence of the country, "no other single force can withstand him." He can be "irresistible" in an office that can be "anything he has the sagacity and force to make it."

A forthright critic of the separation of powers, Woodrow Wilson revolutionized the presidential office, treating it not only as the engine of an activist central government but as the nation's tutor — "the moral, spiritual leader of the country," as a later Wilsonian, Walter Mondale, was to say.

But today Bill Clinton is reduced to around-the-clock dithering with a House of Representatives that his party controls. That is the saddest part of the Clinton presidency. He is unhappy experiencing the marginalization of the presidency that began under his predecessor. President Clinton is powerless to prevent the end of the Wilsonian tradition he aimed to revitalize.

William Leuchtenburg, an admiring biographer of Franklin Roosevelt, says that FDR, who saw himself as picking up Woodrow Wilson's fallen torch after 12 fallow Republican years, presented himself "as the father to all the people." So did Lyndon Johnson, whose model was FDR. And after President Wilson's death, Bill Clinton, who worked for Mr. Johnson, Mr. Clinton said, "He and I talked... about the need to revitalize the office as an institution... around which the American people can rally."

Mr. Clinton assumes that Americans are, or should be and can be made to be, in a rallying "round mood." But rallying "round" is what people do in emergencies, particularly wars. That is why contemporary liberals, with their collectivist agendas, seem perpetually nostalgic for wartime "socialism" and FDR's domestic mobilization during World War II. That nostalgia surfaces in metaphors, as in LBJ's "war on poverty."

The end of the Cold War is one reason America now has its second consecutive president who is notably mismatched to his moment in office.

George Bush prepared for his life to conduct the Cold War only to have it end, leaving him (almost literally) speechless. Bill Clinton, too, is a casualty of peace. He urgently needs the aura that surrounded presidents when the nation was in a permanent state of siege in a hair-trigger world.

Mr. Clinton, who has a laudable agenda for expanding federal supervision of American life, has reached the White House just as a prerequisite for such an ambitious presidential program is fast draining away. That prerequisite is a national fixation on the presidency, and a predisposition to think that there should be a national "agenda" and that the president should write it.

Mr. Clinton may seem to be a miniaturized president, but that is because 60 years of emergencies — from the stock market crash of October 1929 to the fall of the Berlin Wall in November 1989 — made most presidents seem larger than life-sized figures. However, the office that Woodrow Wilson thought potentially irresistible has always been much less powerful than it is prominent.

Much of LBJ's domestic agenda failed because he mistakenly thought he could generate popular support for the sort of government activities that a huge event, the Depression, generated for FDR's activism. President Clinton is floundering because his ideology tells him three false things.

It tells him that 12 years of Republican "neglect" must constitute a crisis comparable to depression or war. It tells him that nothing is difficult for the truly moral — that, for example, the reason there are millions of people without health insurance is that until now no one has really cared. And it tells him that the Wilson, FDR and LBJ presidencies are models to be emulated today.

However, a lesson of the first one-

twelfth of Mr. Clinton's term is that "gridlock" (that overused description of a national, healthy outpouring of the U.S. Constitution: presidents not just from "divided government," the legislative and executive branches controlled by different parties. It also results from both branches being controlled by a divided party, as the Democratic Party is not only so many Democrats reject Mr. Clinton's agenda, they feel no particular need, moral or prudential, to defer to him. Peace is going to be hell for presidents, at least for those not reconciled to the restoration of what, when viewed against the sweep of American history, normal: congressional supremacy. The players on the other side of the constitutional line from the president — in the legislative branch, which is not supposed to be part of the president's team — dispute Tommy Wilson's notion that everything depends on the president.

Washington Post Writers Group.

Focusing Diplomacy On Serbia

By Stephen S. Rosenfeld

WASHINGTON — In and between the lines of the "allied communiqué on Bosnia" that the United States, Russia, Britain, France and Spain drafted up on May 22, some faint new possibilities for a negotiated and not altogether dishonorable settlement of the Yugoslav war.

What the five did was to connect the outsiders best situated to make a difference — including Russia — with its diverse connections to Serbia — and to expand the focus of diplomacy from battered Bosnia to the most cursed but still weightiest element in the Yugoslav equation, the Serbs.

The communiqué has been widely taken as an international retreat in the face of Serbian power. The serfdom change has a sting. Certainly it is so that earlier chances, wistful as they were, to apply force against the Bosnia Serbs have all but dissolved. But the communiqué's thrust is to deny that events can be decided solely by force.

Three points stand out:

- "Safe areas" for Muslims are to be set up in Bosnia by allied forces. Many people have many doubts about this concept. The fact remains that politically it puts Serbs — and Croats — in opposition to the world on a moral issue — saving lives and communities — on which Serbs (and Croats) cannot win. The world's best protectors need to bestir themselves.
- The five address the crucial and often dodged question of what it will take to lift the sanctions on Serbia. Their Irish piece is to stick with the embargo until Bosnian Serbs withdraw from territories occupied by force. This is language with an edge; the old language simply insisted that a settlement agreed on should be complied with. The new language is firmer than even what the Muslims ask: It can be read as a demand for a total rollback. Whatever the reading, the communiqué nails Serbia into an embargo that is already being hard into its small, vulnerable economy.
- The communiqué evades the shape of Bosnia. The international community is dazed and regrouping on this question. The presumption spreads that at best it will take years for the three ethnic groups to overcome their war-fanned desire to live apart. The writing out could go on even if favorable "cleansing" stopped. But the communiqué does face up to two other Serbian vital interests: Kosovo, a region of Albanian and Serbian majority, and the Serbian-populated areas (especially Krajina) of Croatia.

It is right to put these large matters back on the common table at this time. Treating Kosovo is the way to prevent the "war" from spreading. Treating Krajina is the way to start healing the deep, wounding dispute between Serbs and Croats.

Of both Kosovo and Krajina, the communiqué says: independence no, autonomy and human rights yes. That is, both Kosovo and Krajina will remain part of the sovereign states they are in: Serbia and Croatia, but Kosovo's Albanian and Krajina's Serbs will be at reduced risk. The two groups are bound to feel forsaken. But the allies are absolutely right to underline a policy trade-off by which limits are set on the breakup of sovereign states but citizens and communities within those states are offered guarantees.

Serbs cannot fairly deny independence to Albanians in Kosovo and demand it for Serbs in Croatia. The approach suggested in the communiqué provides a sensible organizing principle for international diplomacy and a way to keep the whole region from going over the brink.

Russia is not merely a traditional friend of Serbia with a traditional interest in the stability of a region at its doorstep. In its current circumstances where ethnic tensions are flaring inside Russia, Moscow also has an interest in asserting the integrity of sovereign states. Boris Yeltsin has his own post-referendum political reason to strut his foreign policy and Balkan stuff — not least to deflate nationalist challenges.

The variety and strength of these interests is what makes it possible to hope that Russia will not simply coddle its little brothers in Serbia. Russia promises to help stiffen the embargo, shore up the safe areas and enforce the principle of no gain from territorial conquest. Serbs do not want to hear these things from the West, or at least from the United States. Perhaps they will give a more open hearing if the same advice comes from Moscow.

I have been arguing that Serbia needs to be at the center of things — to have its interests attended as well as to be held to account for its offenses. Perhaps this is starting to happen.

The Washington Post.

Seeking Candor in Hanoi

On Memorial Day this Sunday, it is especially appropriate to ask if there is any end to the inquiry into the fate of American military men counted as missing in Vietnam. In victory in Vietnam, Americans might have done as they did in earlier conflicts and, after a decent interval, let go of the idea of accounting for every individual listed as missing in action. In defeat, however, Americans came to embrace a full accounting as a necessity to salvage honor and pride. Except that a full accounting of missing men over North Vietnam turns out to be an elusive goal. Two decades later, the search is still on, lengthened not simply by exacting American demands but by the maddening tendency of Vietnamese officials to cover up and drag their feet.

This tendency is what shaped the treatment that befell a dramatic document that turned up in the Russian archives earlier this year. A Russian translation of a Vietnamese official's briefing given in 1972, it instantly generated charges that Hanoi had not accounted for, and perhaps had killed, some 600 American prisoners of war. Further inquiry subsequently diminished the document's credibility. Still, there never would have been a flap at all if Vietnam had not spent years deceiving Americans and

withholding information rather than dispelling suspicions bead-on. Even in recent years, when the Vietnamese have frankly sought to satisfy American queries so that the United States would stop barring Vietnam from international loans, Hanoi has doled out information erratically. Thereby it frayed trust even while trying to build it.

Precisely to urge — once and for all — a new disclosure strategy, Senator John Kerry, a decorated Vietnam War veteran and chairman of the Senate's MIA Committee, and a group of colleagues including two former MIAs, Senator John McCain and Representative Douglas Peterson, are spending their Memorial Day weekend in Hanoi. They are aware that it could take years to run down every MIA lead, but they are also aware the situation could be transformed by a Vietnamese political decision to make all relevant materials and sources unequivocally available. Greater openness would not guarantee relief to every waiting American family, but it could clear the air and markedly reduce the American drive to pursue even the wispiest trail. It is 20 years since the United States left the war. It is in Vietnam's hands to bring the war finally to an end.

—THE WASHINGTON POST.

Clinton as Obfuscator

President Bill Clinton played word games with both the point and the truth in discussing the affair of the White House travel office on Thursday. The question was: Why did administration officials call in the FBI as they were firing the office's seven employees? The president's answer was that it was called in "to accuse any of these people of doing anything criminal" but to look at an auditor's report.

In fact, when an FBI public affairs official was summoned to the White House to meet three of the president's principal aides on May 21, the subject was out of the auditor's report at all but a bit of "guidance" to the press. The White House officials wanted the guidance changed to make mention of possible criminal activity. It was changed — before the White House issued it, to the FBI's apparent surprise — to say that the FBI had "sufficient information..." to determine that additional criminal investigation is warranted.

White House officials said the only goal had been clarification. But one of the points that was surely "clarified" was that this was a law enforcement matter, not an employing out of the travel office for patronage purposes. "The FBI's always been an independent investigative agency," the president said later in his response to a question at a national television news conference. "That makes it all the more baffling that in this botched case he has not come out and said that what was done was overdone and dead wrong. The main issue that is pressed to see on Thursday in this case was whether 'we should work seven people when three can do the job.' Mr. Clinton knows that this not what the actions of his pals and staff were all about. 'Let's not obscure what happened,' he said at another point. But he is obfuscating it.

—THE WASHINGTON POST.

found "gross mismanagement," "shoddy accounting practices" and "many discrepancies" in the accounts of the in-house travel agency. But three months before Pat Marwick took his look, a relative of the president had written a memo suggesting that she be made head of the office — as after the firings she was. She was a principal source of the complaints against those working in the office she aspired to head. In addition, a close personal friend of the president with an interest in the travel business had complained that the office was shutting some companies out; one of them turned out to be his own.

We don't know what the ousted employees of the White House travel office may or may not have done over the years, but an awful lot of firepower seems to have been brought to bear for what was mainly a management problem in so obscure a corner of the White House.

Mr. Clinton's administration has gone to the Hill and asked for an extension of the lapsed independent counsel statute. To avoid even the appearance of conflict of interest, it would subject its own doings at the highest levels to the scrutiny of special prosecutors. So, clearly the president understands the important principle at stake concerning insulating law enforcement procedures from political manipulation.

That makes it all the more baffling that in this botched case he has not come out and said that what was done was overdone and dead wrong. The main issue that is pressed to see on Thursday in this case was whether "we should work seven people when three can do the job." Mr. Clinton knows that this not what the actions of his pals and staff were all about. "Let's not obscure what happened," he said at another point. But he is obfuscating it.

—THE WASHINGTON POST.

The Secret Service Does a Diservice

By William Pfaff

PARIS — It is late to pile onto Bill Clinton's haircut fiasco, but a point is being missed and it is an important one. Whose practices were responsible for shutting down Los Angeles air traffic while Mr. Clinton's hair was expensively shorn on May 18? You may be sure that the president himself did not suggest that the airport be closed for his haircut. He will have said that he needed a trim and this seemed a good moment. The standard procedures of the Secret Service are what translate presidential whim into public disorder.

The unasked question is why traffic has to be stopped on neighboring runways while the president of the United States comes and goes — or waits. Why, for that matter, does the president need to travel to California in a specially equipped super-jumbo, Air Force One, rather than in an executive jet using business airports? Why does ground traffic have to be diverted, roads closed, public places turned into fortresses wherever the president travels?

The Secret Service has become a Praetorian Guard whose bureaucratic power and grandeur rest upon an enormous apparatus of personal protection for the president, to which every other public and private interest is aggressively subordinated. Not only is the voting public pushed aside, blocked in going about its business, delayed in its travels, but U.S. senators and Supreme Court justices, and even foreign chiefs of state, are crowded out of the way when the president of the United States passes.

The Secret Service is at the heart of the imperial presidency. The institutional interest of this security apparatus is to cut the president off from ordinary life and make him wholly dependent upon its members and its structures. Ostensibly its agents are his servants. In fact he is enclosed

and isolated by them. Even a president aware of this problem, as Bill Clinton has said that he is, cannot avoid the influence of such extravagant and imprudent concern for his person. It is inevitably corrupting — and it is peculiarly American.

No other head of state is protected in this way. It is not done for the monarchs of Britain, Scandinavia, Spain or the Netherlands. Prime Minister John Major of Britain is not protected like this, although the IRA wishes to kill him, nor is Felipe Gonzalez of Spain, threatened by Basque terrorists. President François Mitterrand of France strolls the streets of Paris, accompanied by friends; he visits bookstores, lunches in ordinary restaurants — discreetly shadowed by two or three bodyguards, to be sure, but with none of the aggressive and intrusive apparatus of security which accompanies Mr. Clinton.

The explanation usually given is that no other country has the United States' recent history of assassination attempts. Yet precisely that history demonstrates the irrelevance of the present presidential security system.

In the last 30 years the Secret Service has failed to prevent attacks upon three out of six presidents. Two of those attacks were successful, and all of them could easily be repeated today against Mr. Clinton despite the security provided for him.

John F. Kennedy was killed by a sniper high in one of the hundreds of buildings that the presidential cortege passed on that November day in Dallas in 1963. The two attempts on Gerald Ford's life were made by people in crowds at presidential appearances. When Ronald Reagan was shot in 1981 he was walking from a Washington hotel to his limousine,

surrounded by Secret Service agents. These kinds of attacks cannot be prevented, other than by total isolation of the president from the public. The existing system isolates him without effectively protecting him.

Moreover, one must ask why the president should have protection so elaborate that it is an obstacle to the proper execution of his duties — and even, as in Los Angeles last week, does him political disservice.

Everyone knows that the risk of assassination cannot be separated from the American presidency. Mr. Clinton freely chose to run for that office. The risk comes with the job.

Before he went to Washington, there was talk of reassigning security responsibilities to some other agency able to bring fresh thinking and without the Secret Service's institutional investment in existing methods. Certainly an independent review of the present system is long overdue. The Los Angeles episode ought to teach that to Mr. Clinton.

It was not always this way. I recently saw documents on President Franklin Roosevelt's trip to the Casablanca conference in January 1943, to a city still vibrant with the tensions and conspiracies of the North African landings and the struggle between Free French and Vichy interests there, when heavy fighting was still going on in Tunisia.

The president's party consisted of his personal assistant, Harry Hopkins, a military staff of nine and seven Secret Service agents, two of whom traveled only as far as Miami, where Roosevelt boarded ship. An advance party of four Secret Service agents had gone ahead to Casablanca. Mr. Clinton today cannot go out for dinner in Washington without more protectors than that.

International Herald Tribune.
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tems that would promote apartheid. But President Clinton, to the grief — the exact word — of Democratic integrationists, has nominated Professor Laurence H. White to head the civil rights work of the Justice Department. She stands for those things and others destructive of the hope for racial harmony to which they devoted so much of their lives.

The nomination has created such shock among Democrats that she will probably not get congressional approval. Her name may even be withdrawn. But questions about how she came to be nominated are as important as she is herself. This is not some bad after-dinner joke or imperious holding up of air traffic but a matter of deepest national interest and emotion.

How could he have done such a thing? The simplest answer is that he agrees with her. Or maybe he does not think it important what his new civil rights chief thinks about civil rights.

Democratic racial integrationists, including people who worked with him to draw up his civil rights policy during the campaign, say neither as sincerely as she. They cannot believe it, not about the Bill Clinton who had stood against quotas during the campaign, who went from black church to white church preaching the same message of individual responsibility against racial divisiveness.

What then? Was the nomination promoted by Hillary Clinton? If so, aren't we tired of using her as the whipping girl? Even if she wanted Professor Guinier, don't husbands ever say hell no in the White House? What happened? Maybe a hearing would be better than a withdrawal, so we could find out.

Yes, passion bird, I am still glad. I am not at all loathe for Bush-baker. But I could use some answers to help stay glad.

So could a lot of others around the country who think that in racial integration lies the future of the United States and won't take any funny business about it, not even from a president of their choice — particularly not from him.

The New York Times.

Where Is Clinton on Racial Integration?

By A. M. Rosenthal

NEW YORK — She swooped at me across the banquet room like a lovely bird of passion, glistening with the joy and fulfillment of vengeance. "Now," she cried in her Republican ecstasy. "Now aren't you sorry you voted for Clinton?"

No, I cry back, do with me what you will, but I am not sorry. I am glad, glad I will make up my mind about 1996 in 1996, but right now Clinton voters are ahead of the game. They already have achieved major goals.

For one thing, George Bush is not president. Surely that was a shining objective in voting for Bill Clinton. They can't take that away from us.

Continuing. The new president gave Americans a wake-up shake by making them think through the deficit and what they are willing to pay in taxes or benefits to reduce it. And he is giving the country its first national debate on universal health care, decades overdue. If Clinton voters do not like the details of what they asked for, the right to scream our heads off is right there in the Constitution.

He floundered on Bosnia; he certainly did. But he has managed to keep the country out of a war impossible to win without a heavy commitment of ground troops. Any hands raised for that?

Admittedly, there is a certain de-

pendable regularity to White House pratfalls. If we try hard, maybe we can put down haircuts that close airports and tinkering with the FBI to arrogance, smugness and inexperience in the White House, top down. Perhaps it can be cured by presidential self-examination and a hung-to-some-sides — one warm, last hug.

But that's enough of smarmy patience. It ends, replaced by healthy snarls when Mr. Clinton reverses himself or judges on the single most important goal in American life: racial reconciliation.

We all have our definitions about that, but for most Clinton voters it cannot include such things as these:

Racial polarization. Setting black and white politically and legally apart. Making the Justice Department and courts the supervisors of state legislatures, to decide when majority political rule can be set aside for minority interests. Deciding that a black politician elected with white support is not really an "authentic" black politician. Scorning the efforts of the Voting Rights Act to give blacks power within majority politics, not apart from or above it. Creating weighted voting sys-

terests is what makes it possible to hope that Russia will not simply coddle its little brothers in Serbia. Russia promises to help stiffen the embargo, shore up the safe areas and enforce the principle of no gain from territorial conquest. Serbs do not want to hear these things from the West, or at least from the United States. Perhaps they will give a more open hearing if the same advice comes from Moscow.

I have been arguing that Serbia needs to be at the center of things — to have its interests attended as well as to be held to account for its offenses. Perhaps this is starting to happen.

The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Art Under Attack

PARIS — When the Salon opened on Saturday (May 26), after it had been closed for the awarding of the medals of honor, it was noticed that M. Wencker's nude figure "L'Artemise" had been scratched with a knife or a pricker. It is curious how such acts of vandalism take place. Meissonier's "La Bataille de Solferino" at the Luxembourg, and M. Vibert's "Médécine Malade" at the Salon last year, were both damaged in this way.

1918: Troops 'Singing'

PARIS — M. Clemenceau, French Premier, has returned to Paris. Still covered with the dust of his automobile journey through the fighting zone, he was questioned by journalists as he left the Ministry of War. "For the last thirty-six hours I have been in the midst of the troops, with those admirable armies which go into the fight with one thought — the 'patric.' They are gay and full of en-

1943: Eliminating Bias

WASHINGTON — [From our New York edition:] The old and recently inactive committee designed to prevent discrimination in employment because of race, creed, color or national origin was scrapped today (May 28) by President Roosevelt and replaced by a new and autonomous body. It will be the duty of the present committee, the executive order said, to eliminate discrimination by all employers, Federal departments and labor unions. To head the new committee, the President selected a veteran of labor disputes, Monsignor Francis J. Haas, Dean of the School of Social Science of the Catholic University, a member of the original National Labor Relations Board.

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Editor for Asia: Michael Robinson, 5 Cantonbury Rd, Singapore 0511. Tel. 472-7768. Telex R556928
Mgr. Dir. Asia, Rolf D. Krueger, 50 Gloucester Rd, Hong Kong. Tel. 8610616. Telex 611770
Mgr. Dir. U.S., Gerry Thomas, 63 Long Acre, London WC2E. Tel. 856-4802. Telex 2622009
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Pres. U.S.: Michael Camry, 850 Third Ave., New York, N.Y. 10022. Tel. (212) 752-3890. Telex 427175
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In the Steps of Two Great Collectors

NEW YORK — Of all that is elusive about art, nothing is quite so difficult to apprehend as the aesthetic approach of past generations. "Splendid Legacy: The Havemeyer Collection," on view at the Metropolitan Museum of Art until June 20, provides a striking, detailed insight into what two of the most interesting American collectors born around the middle of the 19th century saw and sought in art.

In bringing together 525 works of art, mostly paintings, drawings and some prints, but also bronzes, glass, pottery and even rugs, Alice Cooney Frelinghuysen

SOUREN MELIKIAN

and Gary Tinterow, who organized the show, took care to select a true sampling of the collection built over 50 years by Henry O. Havemeyer, the sugar king, and Louise Elder, at first separately, and then jointly after they were married in 1883.

Far from editing out the mistakes, the two co-curators show them as well, including false attributions and even forgeries. This gives the story a flavor of authenticity it would otherwise lack and makes their artistic endeavor look the greater.

Although the couple reached decisions together after their marriage, the Old Masters reflect, in the main, the taste of Henry Havemeyer. They reveal, at a glance, a passion for portrait painting. Most siters seem to look at the viewer from a distance, almost reflectively.

There are no equestrian portraits, no strutting condottieri. Some labels have changed. The portrait of Jean de Carondelet was presented to the Havemeyers as "a famous portrait by Holbein" by an American dealer — and pronounced to be worthy of the finest in the Louvre by Mary Cassatt, the American Impressionist painter and connoisseur.

Still admirable, it now carries the name of a 16th century Netherlandish artist, Jan Cornelisz. Vermeyen.

Other paintings are not taken seriously any more. Most intriguing is the Havemeyers' involvement with Rembrandt. Their first acquisition was very good. The matching portraits of an unidentified Dutch burgess and his wife both seen three-quarters length, done in 1632, are accepted as genuine by most scholars. The man in a black cape and white ruff looks at the viewer, his distant stare veiled by a mix of weary resignation and understanding. The acquisition, made in New York in December 1888, cost them a fantastic \$60,000. They topped that in March 1889 when they paid a price believed to be somewhere between \$70,000 and \$100,000 for the portrait of Herman Doomer. The expression is one of quiet despair conveyed by a kind of wide-eyed half-suggested smile.

After that their eye failed them, partly because H.O. Havemeyer made the collector's classic mistake — "he wanted a



Corot's "Réverie" at the Metropolitan Museum of Art.

critical mass of Rembrandts" in his library, as Walter Liedtke puts it. True, no scholar would have questioned their authenticity at the time. While "The Treasurer" is a portrait of great dignity, albeit out by Rembrandt, not even very much in his style, the matching portraits of a man and his wife now look to us like spoofs.

Yet there is little doubt that the Havemeyers could be highly perceptive. In 1904 they acquired an oval portrait then considered to be by Antonello da Messina. It is now regarded by scholars to be one of two surviving portraits by Hugo van der Goes. No matter whose name is attached to it, the face of the ascetic looking man with high cheek bones and the shadow of a beard is stunning. Hands joined in prayer, he stares at some faraway point. This is explained by a window on the right through which a landscape can be made out. But when the Havemeyers bought it, the background and the hands were entirely concealed by overpainting. To have responded to its beauty in that condition is remarkable.

Nor was it just some fluke of luck. In May 1898 they bought for an astronomical \$40,000 one of the greatest Bronzinos in

the world. A young man in a black satin tunic stands sideways, three-quarters length — the Havemeyers' favorite format — his face turned toward the viewer. His expression is one of wistful gravity, made more striking by his markedly asymmetric eyes. A surrealist note is introduced by a grotesque mask carved as part of the table on which the young man rests a book. A similar pattern emerges in the Spanish room. The collectors managed to buy four good portraits by Goya, plus one copy of a remarkable portrait (Maria Luisa of Parma), two portraits now merely "attributed" to Goya, and one outright joke, a landscape called "A City on a Rock."

They also had strokes of genius. Three years earlier, they bought El Greco's "View of Toledo," one of the most extraordinary paintings produced in 16th-century Europe. To have wanted such an unusual work falling outside any recognized category is remarkable.

The Havemeyers may have been prompted to do so by their prolonged exposure to modern art. Louise Elder was a young woman of 22 attending a finishing school in Paris when she met

Cassatt, the American painter molded by the teachings of Degas. In 1877, putting together all her savings, Elder bought her first painting, a pastel "Ballet Rehearsal" by Degas, for 500 francs.

By the time she and Henry married in 1883, her taste was very definite. She set her sights on Corot. The couple started buying figure paintings, almost certainly under the influence of Degas relayed through Cassatt. For the great Impressionist, portraits represented the true genius of Corot. But such a choice must surely have agreed with Henry Havemeyer's own inclinations. "Réverie," "Greek Girl," and "The Letter" are variations on the theme of a young girl lost in thoughtless thoughts. The introspective quality ties in with the 16th- and 17th-century portraits most admired by Henry. And Louise was greatly preoccupied with the plight of women in society. This may have added to the attraction she felt to these portraits of peasant women or of distraught young girls.

The same concern may conceivably have been an added incentive in her second undertaking, a systematic search for Degas works featuring women. These include a long series of ballet rehearsals, not the best, a row of pastel studies of women in the nude, and a few masterpieces escaping classification. Such is the remarkable oil painting of a woman ironing, like a dark shadow seen against a haze of white with slivers of hanging laundry coming down from the invisible ceiling. Such is, too, "The Print Collector." A man sits with his legs slightly apart to steady a folder filled with engravings. He scowls at the viewer with the mix of fierceness and inner rumination typical of the collector who has been interrupted in the course of his all-absorbing hunt for art.

A third pursuit was the concerted purchase of a vast number of works by Courbet. There were countless women in the nude, realistically painted albeit in improbable forest settings, often bordering on kitsch. There were elaborate scenes of worthy working class toilers ("The Knife Grinders") that the erstwhile admirers of Socialist Realism would have loved.

Finally, there was the collection of Manet works — often the early Manet, realistic and descriptive, but, at intervals, masterpieces such as "La Gare Saint Lazare." A young woman with a book open on her lap gazes at some invisible point, her eyes irregularly set, like those of Bronzino's young man. Near her, a little girl in a white smock with a huge blue taffeta knot in her back clutches the iron bars of a railing to look at billows of white smoke. It is a striking picture of juxtaposed solitudes. Add the Cézannes, come too, too chosen — they settled for the fustian, not the most synthetic — the late Monet landscapes, again hardly the greatest, but all bought for their own sake, got as a showoff.

The Havemeyers loved the art and, at the end, they gave it all away to the Met, 2,000 items or so in 1929, followed a generation later by more gifts from the family. They wanted nothing in exchange.



"Mirror Room (Pumpkin)" by Yayoi Kusama.

Views From an Asylum

A Japanese Artist Finally Gets Her Due

By Carol Lutfy

TOKYO — Joseph Cornell befriended her, Georgia O'Keeffe corresponded with her, Donald Judd admired her, Frank Stella collected her. But at 64, Yayoi Kusama is only just gaining parallel recognition of her own.

After years of censure by the Japanese contemporary art establishment, the avant-garde artist will become not only the first woman ever to represent Japan at the Venice Biennale next month, but the first artist ever to be granted a solo exhibition at the Japanese Pavilion there. "If you look at her output over a lifetime," Akira Tatehata, Japan's commissioner to the Venice Biennale, says, "she is the single most important contemporary artist in Japan."

Kusama's oedipal stature as the doyenne of the contemporary art scene comes after decades of ostracism in a clubby, male-dominated art world, and after a lifetime of resisting pressure to have a family. It has come to an artist with only one year of formal training. And it has come to a woman who, by her own account, has been disturbed by mental illness since childhood.

Behind the intricate net-like canvases and polka-dot-strewn soft sculptures that have made her famous, Kusama is a profoundly troubled artist. She lives in a psychiatric hospital where she keeps a studio. And she claims that her art is an outlet and cure for recurring hallucinations that take the form of repetitive imagery. "I don't consider myself an artist," she has said. "I am pursuing art in order to correct the disability which began in my childhood."

A petite woman with short, jet black hair and ravenous, charcoal eyes, Kusama exudes an overwhelming, almost childlike air, but she is not someone to be pitied.

She is a survivor, who has withstood at least one suicide attempt, a loss of face in the American art world in the early 1970s and a scandal, following her efforts to stage nude Happenings in Japan. Throughout it all, she has remained ootoriously ambitious and hungry for attention, making grand entrances at parties in elaborate costume-like get-ups and steadfastly promoting her work.

How much Kusama has consciously used her illness to propel her career is unclear. "Given her character, I think it's not out of the question that she has," Tatehata says. But, by all accounts, it is her "obsessions" as she sometimes calls them, that have fed her fertile imagination. She works at a furious pace, churning out paintings and sculptures faster than anyone can count them. At their best, her works are visually mesmerizing; empowered by a vibrant palette and characterized by the phallic-like sculptural forms

illusionary mirrors, and polka-dot and oat-like patterns that she calls her trademarks.

The polka dots, in particular, appeared in her drawings as early as the age of 10. "I saw polka dots in a hallucination," she says by way of explanation. "So I ended up drawing them in."

The turning point in her life came in the early 1950s when Shibo Nishimura, a well-regarded professor of psychiatry, treated her clinically and introduced her work at a meeting of the Japanese Psychiatry Association. It was the first validation not only of her psychological ailment, but of her prodigious artistic talent.

At roughly the same time, Kusama was making plans to move to the United States, where she hoped that being a woman would not preclude success. In preparation for her trip, she began what would develop into a 10-year correspondence with O'Keeffe, who advised her, "Take your pictures under your arm and show them to anyone you think may be interested."

Kusama did just that upon arriving in New York in 1958. Within a year, she had arranged a triumphant solo show of her "Infinity Net" paintings. Inspired by the wide-open spaces she encountered in America, the richly patterned and textured, monochrome canvases remain among her strongest works.

KUSAMA has always shunned art groups and movements, preferring instead to explore a personal vision. But, intuitively, perhaps, her early works evoked the spirit of the 1960s, merging with — but not borrowing from, she insists — the art of the early Minimalists, like Frank Stella and later, Pop artists, like Andy Warhol and Claes Oldenburg.

In 1962, she began to experiment with soft sculptures — objects, like chairs and dressers, swarming with stuffed phallic-like protruberances. That the works felt sexually charged was no coincidence. "I used that form because I'm afraid of men's [penises]," she says. "It helped me to escape my panic."

In her quest for publicity, Kusama reinvented herself as the "Priestess of Nudity," and staged Happenings at places like the New York Stock Exchange, where she would paint polka dots on the bodies of nude dancers. These events eventually earned her a reputation as a publicity-monger, and by the early 1970s, she returned to Japan. In 1977, she checked into the Tokyo psychiatric hospital, where she has lived and pursued her art ever since.

Carol Lutfy is a Tokyo-based free-lance journalist who specializes in the arts.

Theory Is Theory, but the Artist Remains

By Michael Gibson

PARIS — At his birth, in 1892, in a small town near St. Petersburg, his name was Ivan Puni. He was the son of a cellist and grandson of the fashionable Italian composer Cesare Pagni. After he had settled in France in the '20s, he called himself Jean Pougny. A retrospective exhibition at Paris's modern art museum reveals him as a key player in the high-voltage artistic debate that filled the years preceding and following the Russian Revolution.



"Factory Uprising," 1920, by Jean Pougny.

Pougny was barely 20 years old, and a strikingly gifted young artist, when he first showed his work in St. Petersburg along with Malevich, Larionov and Tatlin. Competition was fierce and Malevich, Tatlin and Pougny viewed one another with keen suspicion.

Typical of this mood is the letter Malevich wrote to a friend in the autumn of 1915: "I have been had: sat there working, with my paintings displayed on the wall when the door suddenly opened and Pougny walked in. So my work has been seen." Disaster! This was a period of minimalism and conceptualism

(Pougny himself had just hung a hammer on a wall and dubbed it "Still Life"), and a man's entire reputation hinged on an idea that could easily be stolen.

In the two major Russian cities, art movements with peculiar names, like the *kamyfay*, or "Communist futurists," (for instance), would spring up overnight, breathing heavily and churning out reams of dense

prose. In the midst of all this, Pougny's statements had a ring of good sense: "Art is art," he responded to those who wanted art to serve a utilitarian purpose, "and material life is material life."

As the exhibition shows, he was a true artist. But his reputation has suffered, possibly because he left Russia in 1919, and he has tended to fall into the shadow of Malevich and Tatlin, whose equal he had been.

But theory is theory, and art is art, and once the talk is forgotten, the paintings and drawings remain. In this respect, Pougny's work stands up well.

Looking over the works assembled, ranging from 1910, when the artist was 18, to 1956, the year of his death, one can make out a broad and significant pattern.

The earlier work, like the charming white house among the trees ("Landscape with House," 1912), shows that the man had a keen artistic sense and was capable of expressing a fresh and compelling view of things. But then, barely two or three years later, the major theoretical issues of the decade took hold of his mind and agile hand.

Pougny had a feeling for objects and approached them with a certain

friendly sensuality. His production of the 1910s and '20s went through a dizzy variety of formal experiments. Some items anticipate the more idiosyncratic aspects of Pop Art.

His metal and wood reliefs (mostly done around 1915 to 1916) have a definite elegance, but they are crude compared with his drawings and later paintings. Pougny managed to be witty even in propaganda works, like his "workers in an automobile," in which the vehicle appears to be racing downhill, loaded with men and bristling with guns, like a Soviet variant of the Keystone cops.

He also had a marvelous sense of black and white, and some of his India ink drawings manage to fuse a very "modern" constructivist organization with a compelling evocation of landscape.

It was in the mid-'40s that Pougny came full circle and turned once more to a small-scale, sensitive form of painting that has much in common, in spirit if not style, with what he had been doing in his early '20s.

The exhibition closes with a series of some 40 such works done between 1944 and the year of his death, in which Pougny, with apparent indifference to all dogmatic con-

siderations, rose above the distinction between abstraction and representation. These ultimate works awaken an unexpected resonance in the conjunction of the familiar and the unfamiliar — the bare abstraction of a pattern blending into such simple objects as a well-worn chair or a cluttered table.

Jean Pougny, Musée d'Art Moderne de la Ville de Paris, 11 Avenue du Président Wilson, Paris 16, until Aug. 22. Bertlische Galerie, Berlin, Sept. 9 to Nov. 13.

The Damage at the Uffizi

By Michael Kimmelman

New York Times Service

ALTHOUGH the car bomb that exploded Thursday in Florence wreaked havoc on the Uffizi Gallery, the greatest repository of Italian art, destroyed three works of art and damaged more than two dozen others, the cherished galleries on the side of the building housing the museum's great Botticellis, Fra Angelicos and Mantegnas and the rooms containing the supreme collection of drawings in Italy, suffered little. These galleries will reopen within weeks, according to the museum's director, Annamaria Petrioli Tofani.

But the explosion shattered windows and skylights in more than two dozen galleries on the western side of the building.

The event was, in the scale of its violence, an even more wrenching reminder of the vulnerability of art on public view than the vandalism of Michelangelo's "Pietà" and Picasso's "Guernica." Those works have been put behind thick bullet-protected, if pathetically diminished, by such precautions, and apparently because some of the Uffizi's

paintings are encased behind glass, they were unharmed.

But it is impossible to shield an entire museum from terrorism, especially one knitted into the fabric of a crowded city.

The identity of Florence is tied inextricably with the presence of the Uffizi near its center. Above all, what exploded Thursday was any illusion that artistic repositories like the Uffizi are somehow immune to fractious politics. Not since World War II, perhaps, has art seemed so susceptible a target.

The losses were certainly not insignificant. The galleries that were damaged contain the extraordinary collection of 16th-century Italian paintings by Michelangelo, Raphael, Pontorno, Rosso Fiorentino, Andrea del Sarto, Lorenzo Lotto and Titian. They also contain all the 17th-century paintings by Italian masters such as Caravaggio and by foreigners such as Rubens, Van Dyck and Rembrandt, and all the 18th-century paintings, which include works by Tiepolo, Chardin and Goya.

Works in this area will have to be moved for safekeeping, and the rooms closed indefinitely.

The Uffizi was founded on the vast and rich artistic holdings of the Medici family, handed over to

the Florentine state in the 18th century and enriched by paintings taken from Tuscan churches in the 19th century.

The building functioned from the 16th century through the early 18th century as the central offices, or *uffizi*, of government while the Medici ruled Florence. It was later a public museum in the 19th century.

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AUCTIONS

Buyers Finally Returning to the Top End Of the Market As Most Sectors Improve

Applause broke out in Sotheby's New York saleroom one night early this month as the hammer came down on the sale of a still life by Cézanne. Sold for \$28.6 million, it was the first picture to top \$20 million in New York since Van Gogh's "Dr. Gachet" and Renoir's "Moulin de la Galette" in May 1990.

Across town, the following evening, a European collector paid \$9.68 million for Monet's "Jetty at Havre." It was the highlight of a successful Impressionist sale at Christie's, at which almost 90 percent of the lots were sold, for a total value of \$48.5 million.

These two sales provided the confirmation that dealers had been looking for. After three years of recession and falling profits, buyers have finally returned to the top end of the international art market.

case for saying that the market has improved. A number of sales this year have been over 50 percent, and there have already been five sales of 100 percent. In 1991, a high of 70 percent was considered to be successful.

The New York spring sales are regarded as early indicators for the other markets. The important sales in London and Monaco do not begin until June, but an analysis of

'A good time for bargain-hunting'

the global art market over the past 12 months confirms that the recent New York trends reflect improving performances worldwide.

Latest figures from the Art Sales Index, which monitors the prices of fine art sold at all public auctions, show that the international art market is up 11 percent in volume since last August and up 17 percent in turnover. Duncan Hilsop, a director of the Art Sales Index, says, "The market is creeping up slowly; it seems that

light at the end of the tunnel has been switched on again." Combined turnover at Sotheby's and Christie's, the world's two biggest auction houses, increased by 7 percent in 1992 over 1991.

Recent growth is being attributed to a variety of economic and political factors. Nicholas Sokolow, of Posen Sokolow, a London-based firm of art-investment managers, says that while Japanese buyers have largely dropped out of the market, they are being gradually replaced by new investors from the newly prosperous economies of Hong Kong, South Korea, Taiwan, Singapore and wealthy South American countries.

The strengthening of the dollar last September after five years of paralysis has encouraged the return of American bidders, while in France, the new sense of enthusiasm among buyers has been linked to the victory of the conservatives in the recent general election.

In spite of the general upturn, not all sectors are improving. A comparison of the results of important sales at Christie's and Sotheby's in New York, London, Hong Kong, Monaco and Geneva in autumn 1991 and autumn 1992 provides more detailed clues to which areas of the market have strengthened and which have declined: Impressionist and modern (to 1945) pictures, Chinese paintings, antiques, French furniture and

American paintings 1750-1945, were all up in 1992 over 1991. There was a small increase in the total amounts of money spent on contemporary art, British pictures from 1570 to 1830, photography, jewelry and musical instruments over the past year. Interest in British watercolors, English furniture, modern prints, Chinese ceramics, clocks and watches, and European sculpture and works of art has remained steady.

Showing small signs of decline, however, were Old Masters, 19th-century European paintings, Japanese works of art and modern British painting. The worst-hit sectors were books and manuscripts, Latin American art and silver.

Those searching for un-predicted booms in 1992 will find only one to compare with the incredibly high prices paid in 1988-90, when the market was at its peak: good Chinese painting (1880-1990) rose sharply — a 614.444

American bidders back in the market

pound (\$952,388) record was set in Hong Kong for Zhang Dajian's "Grand View of the Blue Mountains." Sales of middle- and lower-priced items are also improving. At the end of last year, Japanese paintings from 1880 to 1930 were selling in New York at up to 11 times their pre-sale estimates.

According to Nicholas Sokolow, the next few months will be a good time for bargain-hunting. But he also offers a word of warning about a market that seems in flux: "Tread with caution."

Caroline Lees



Paris: Optimism and Varied Offerings

After decades of inertia (some aspects of French auction legislation reach back to 1556), a generation of young, businesslike Paris auctioneers, united behind Joel-Marie Millon, the dynamic president of the Paris Compagnie des Commissaires-Priseurs, are clamoring for the right to compete with foreign firms on an equal footing.

Several Paris firms now cooperate on big sales or have merged to acquire added clout. And Paris continues to enjoy international pre-eminence in several fields, including books and manuscripts, prints, and tribal and Islamic art.

The most recent development came on March 26: an across-the-board buyer's premium of 9 percent (plus value-added tax) replaced a complex sliding scale ranging from 5 percent to 13 percent. Mr. Millon heralds the reform as "indispensable to our survival and development."

Mr. Millon frequently asserts his belief in the "French auction model dominated by the notions of guarantee and public service." The Hôtel Drouot is very much part of *la vie parisienne*. Where else but in Paris could you find a signed photo of Charles Trenet alongside a medieval charter sent by King Charles VI to the

Bourgeois of Rheims on January 8, 1380 (at the Ribeyre-Baron sale on June 2)? On the same day, Jean-Louis Picard offers terracotta statuettes by Goldscheider alongside ceramics, Art Nouveau glassware and Art Deco furniture (including an ebony canapé with a top estimate of 200,000 francs).

"Tintinmania" will wow cartoon fans on June 7

Art Deco furniture is selling well

(Néret-Minet). Other highlights include Haute Couture (Millon-Robert, June 9); prints from the Henri Foclet collection — Manet, Matisse and Germain (Picard, June 11); French porcelain and faience (Perri, June 16); and Jean-Claude Brugnot's important collection of Art Nouveau/Art Deco furniture, with works by Chareau and Majorelle (Millon-Robert, June 18).

Despite the recent slump, 20th-century art is seldom absent from the Paris salerooms. On June 2, Audap-Godeau-Solanet presents a selection of attractive Impressionist landscapes from the School of Rouen. Van Dongen, Léger, Masson and Balthus crop up in the June 3 sale organized by De Quay and Champin-Lombraill-Gautier. Con-

temporary sculptures by César will also be offered, while animal bronzes by Rembrandt Bugatti star for Delorme on June 4.

A sprinkling of sales dominated by single artists starts with Guy Loudmer's selection of 40 colorful works by Auguste Herbin on June 7. Guy Loudmer is no longer known exclusively as a modern art specialist; "Over the last two or three years we have tried to diversify," says his assistant Marie-Laure Amrouche. The firm's scheduled sales in late June and early July include tribal art, prints and Old Masters, and even an auction devoted to beer and brewing.

On June 9, Francis Briet offers 140 drawings and paintings by Georges Lacombe (the top price — around 700,000 francs — is expected to go to a 1907 wood carving, "Le Mauvais Conseil"), and, on June 16, 61 works by André Masson, plus major efforts by Magritte ("The Ciccone" of 1947) and Rouault ("Clown with White Stockings" from 1912). On June 11, a Calder stabile will flutter in the Poulain-Le Fur saleroom, and Chayette-Calmels presents "Bathers in the Glade" by Maurice Denis (from the former Volland collection). On June 23, Ader-Tajan presents canvases by Valtat

and Soutine, along with 48 works by Gleizes.

Ader-Tajan, France's leading auction firm, with a 1992 turnover of 317 million francs, silenced rumors of financial problems with a highly successful, 70-million-franc sale in Monaco in March of the collection of the late Pasha, Ikhany Hussein. Although a recent change in the law allows French auctioneers to stage sales throughout the country, and not just in their home *département*, Ader-Tajan's main activity is in Paris, where it is one of the few firms to cover the whole art market spectrum. In the first week of May, the firm staged four sales with different themes: *objets d'art*, Haute Epoque furniture, modern art and Art Deco furniture.

Art Deco furniture from the 1920s and 1930s is scarce, admired for its craftsmanship and in permanent demand. On April 5, Poulain-Le Fur garnered 1.8 million francs for a Pierre Chareau desk in ebonized beechwood and polished metal, and 765,000 francs for a lacquered wardrobe by Eugène Printz featuring enamel plaques by Jean Serrières.

Although the modern art market has been quiet in Paris recently, Courrière-Nicolay exploited the linkup of two "big names" on April 30, when Picasso's black crayon portrait of war-wounded poet Guillaume Apollinaire raced to 1.7 francs.

The Old Master market remains steady, and in Bruno de Bayser (drawings) and Eric Turquin (pictures), Paris has two experts of international standing. On April 26, Audap-Godeau-Solanet collected 1.9 million francs for "Angel with Butterfly Wings" by Jan Sanders van Hemessen (first half of the 16th century).

After a spell in the doldrums, Oriental pictures are regaining popularity. France's traditional links with the Maghreb and Middle East mean that sales of Islamic art have long been a feature at Drouot. On April 7, François de Ricqlès dispatched a leather Ottoman Matar flask (second half of the 16th century) for 410,000 francs, three times the estimate, and earned 320,000 francs for a single-page gouache miniature from the Persian manuscript "Babur-Name."

Simon Hewitt

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Edgar DEGAS, *Préparation à la danse le pied droit en avant*. Bronze, brown reddish patina, signed Degas on the base, marked on the base for the foundry "Cire perdue, A.A. Hébrard", H. 56.5 cm.

On view at the auctioneer's office: from Monday 14 to Thursday 17 June 1993, from 10 a.m. to 1 p.m.; from 2 p.m. to 6 p.m. Friday 18 June, from 10 a.m. to 1 p.m.

On view at the Hôtel Drouot: Saturday 19 & Monday 21 June, from 11 a.m. to 6 p.m. Catalogue on request at the auctioneer's office: FF 130, by mail: FF 150.

Edgar DEGAS, *Cheval et jockey au cheval au galop sur le pied droit*. Bronze, brown patina, signed Degas on the base, marked on the base for the foundry "Cire perdue, A.A. Hébrard", H. 24 cm.

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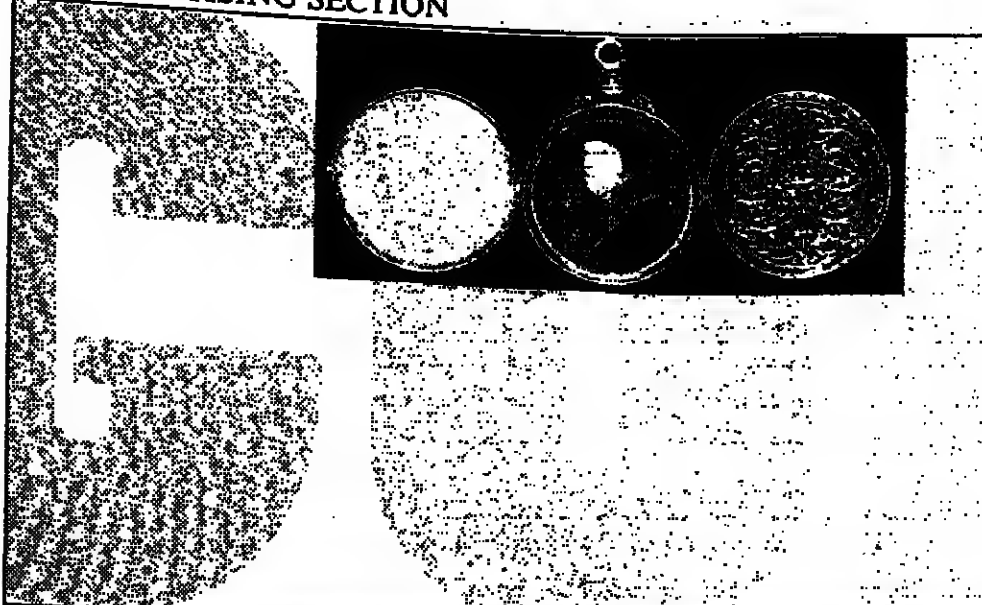
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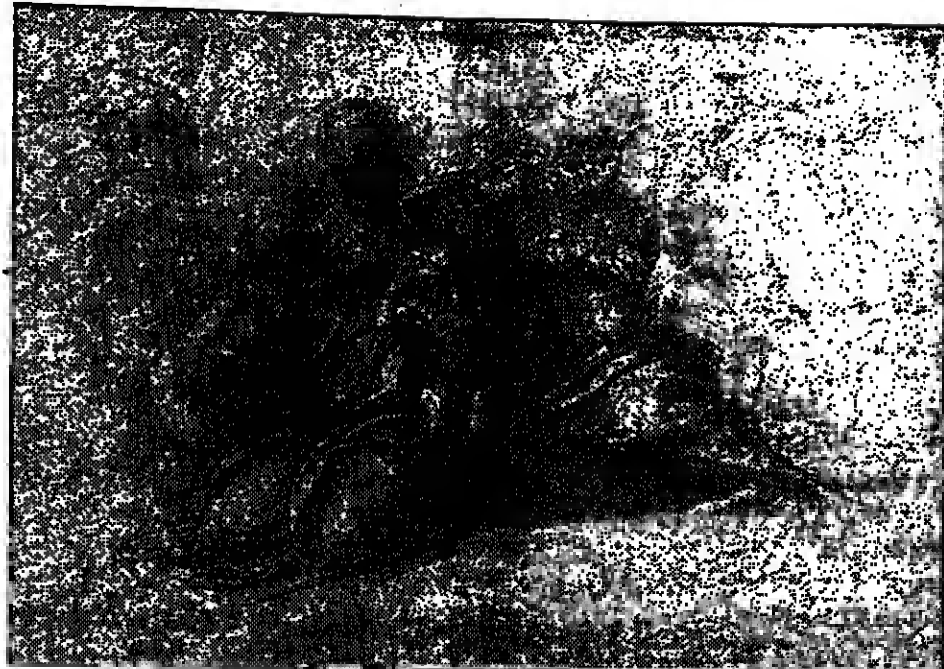
ADVERTISING SECTION

ADVERTISING SECTION



From left to right: Cézanne still life (Sotheby's); desk and chair by Louis Majorelle (Hôtel Drouot); Monet's "Jetty at Havre" (Christie's); Michelangelo's "Holy Family with the Infant Baptist" (Christie's); miniature portrait by Holbein of Thomas Cromwell (Christie's); Tang horse (Sotheby's).

THE CURRENT SEASON



London: Springtime Sales Show Market Renewal

Spring in London has brought the first signs of revival in the art market. The year started quietly, with fewer sales than usual during January and February, but early results indicate that after three difficult years, the buyers are back.

"Early in the year it was very difficult to get much to sell," says Dermot Chichester, European managing director at Christie's, adding: "People were wondering whether the apparent upturn was a blip. We had to go to them in March and April with hard evidence that the market was picking up. Now we have a lot of sales lined up for the summer and autumn."

Auction houses have worked hard to woo cautious buyers and sellers back into the market. Encouraging early sales results from London and New York helped, and this provided a kickstart to the rest of the season.

At Sotheby's in March, Archibald Thorburn, a favorite with British art buyers for his paintings of pheasants and partridges, drew packed houses and high prices in a sale that totaled 2.6 million pounds (\$4.03 million). Dealers hope the result signifies the continuing popularity of Victorian paintings, a sector of the market that performed well last year.

One month later, Sotheby's scored 617,500 pounds, a world-record price, for an Islamic pottery candlestick. This success was quickly followed by a similar coup at Christie's own Islamic sales, when a 17th-century Persian carpet sold for 441,500 pounds, double the estimate and another auction record.

A successful sale of Continental 19th-century furniture at Phillips Auctioneers in April also helped to boost confidence in a sector of the market that has performed steadily over the past three years. Philip Duckworth, furniture expert, says: "It stormed away; the demand was fantastic, with

buyers from all over the world. The signs so far this year are encouraging. It is too early to start shouting, but we are more confident now than we were one-and-a-half years ago."

A saleroom record was shattered May 20 at Christie's when an early 19th-century German mechanical calculator, estimated to fetch around 20,000 pounds, sold for 7.7 million pounds to a Swiss dealer. Even the seller was surprised by the price.

Most dealers agree with Mr. Duckworth. It is too early to say that the recession that hit the London art market so hard is over.

Sellers are coming back to the market

But there are hopeful signs that it may not last much longer. New figures from the Art Sales Index, which monitors sales of fine art at all public auctions, show that U.K. art sales have increased by 6 percent over the past 10 months, a small but significant growth.

Indications are that furniture, Victorian paintings and Impressionist paintings will do particularly well, and forthcoming sales promise bigger and better items than have been seen on the market for some time.

One of the highlights of the coming months will be a rare Michelangelo drawing, to be auctioned by Christie's in July. The drawing, "Holy Family with the Infant Baptist," has a 4-million-pound estimate and a distinguished pedigree. It has belonged to Michelangelo's descendants and to Sir Thomas Lawrence, the English artist. Other upcoming Christie's sales include a Holbein miniature, two

important furniture sales and an 8-million-to-9-million-pound Old Master sale.

Sotheby's will soon auction a letter written by Mozart's father in 1785 to his daughter, Nannerl. In it, Leopold Mozart describes Joseph Haydn's high opinion of Wolfgang.

Haydn had said to Leopold: "I tell you before God as an honest man your son is the greatest composer known to me by name or in person. He has taste, and what is more the most profound knowledge of composition." Sotheby's is predicting a price of 80,000 pounds.

Sotheby's and Christie's both hold their Impressionist sales at the end of June, which will be seen as important indicators of that sector of the market. Both auction houses are cautious about predicting how those sales will go, although they have been encouraged by the recent New York results.

Christopher Elwes, managing director of Bonhams, London's fourth-largest auction house, is looking forward to the coming summer sales. Bonhams is the only London auction house that has cut its commission on some sales to encourage more sellers to come forth. The tactic seems to have worked.

"The number of unsold goods has gone back down to where it should be, at 10 percent or 12 percent," Mr. Elwes says, adding: "The last six weeks have been the busiest we can remember in terms of incoming business; many people had been holding back for as long as they could, but the perception now is that it's time to try again."

C.L.

New York: Mixed Messages, Hopeful Signs

The big spring auctions in New York sent out mixed messages. Star Impressionist lots earned record prices, but sales of contemporary works never took off as well as expected; mid-priced works did well at one house, poorly at another; and recently unfashionable artists brought in surprisingly high bids, while recently fashionable ones went flat. What's the poor buyer—or seller, for that matter—to make of all this?

"Overall, the depressed art market of two to three years ago is gone," says Alexander Apsis, director of Impressionist and modern paintings at Sotheby's. "Selective buyers are returning to the auctions and, where top lots are concerned, paying quite respectable prices."

The financial landscape of the 1990s has opened up different vistas for collectors. "We're seeing a whole new group of buyers," notes Michael Findlay, senior director of Christie's department of Impressionist and modern art. "They're passionate about art, but they have a keen awareness of when to stop."

At contemporary sales at both Sotheby's and Christie's in the first week of May, Warhols sold less well than had been expected, but sales of other works were encouraging. At Christie's, Jackson Pollock's "No. 19, 1948" brought in \$2.4 million, well above its high estimate, and Sotheby's benefited from the growing strength of the works-on-paper market by selling Willem de Kooning's "Untitled (Black and White Abstraction)" (1949-50) for \$965,000. All told, Sotheby's made \$15.4 million from its contemporary sale, while Christie's auction brought in \$14.3 million—a pittance compared to the boom of the late 1980s, but a significant step up from the dog days of 1990-1991.

The real fireworks didn't begin until the Impressionist sales the week of May 10. A handful of extraordinary works sent selected prices soaring into the stratosphere. The one picture that caught everyone's eye was Cézanne's "Still Life with Apples" (1890-94), which went for an eye-popping \$28.6 million. It was hardly the most ever paid for a painting at auction—that honor still belongs to Van Gogh's "Dr. Gachet," which garnered \$82.5 million—but it provided a record for Cézanne and a super-charged boost for the Impressionist market. Enthusiasm remained high for Matisse's "Fatma the Mulatto" (1912), which brought in \$14.3 million, a near-record for the artist.

At Christie's the next night, the featured lot—Monet's "Jetty at Havre" (1868)—did very well, fetching \$9.6 million. But the real news of the sale

was the consistently strong bidding for lesser works, the bread-and-butter of the auction houses. Such across-the-board buying helped Christie's reach a total sale figure of \$59.6 million, while Sotheby's brought in a hefty \$86.8 million.

Besides bolstering the reputations of heavy-hitters like Cézanne and Monet, the spring sales helped revive the reputations of artists such as Chagall and Renoir. Strongly favored by Japanese buyers in the 1980s, these two overtly romantic artists had been given a chilly reception at recent auctions. But Christie's sold Chagall's "Flowers" (1925) for \$992,500, near its high estimate of \$1 million, while Sotheby's presided over a bidding war for Renoir's "Woman

in the Garden" (1873), which finally stopped at \$6.7 million, nearly double the work's high estimate.

Among the highly anticipated upcoming sales in other areas are Chinese works of art at Sotheby's on June 1, featuring such rarities as a large Tang-period pottery horse estimated at \$300,000 to \$400,000 and important jewelry at Christie's on June 8, featuring pieces from such well-known houses as Cartier, Tiffany and Van Cleef & Arpels. Should buyers go in looking for bargains, or beware of escalating prices?

"Every market is different," says Mr. Findlay. "But one thing is certain: buying for pleasure, rather than for investment, is back."

Scott Gutterman

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. Scott Gutterman is managing editor of Art & Antiques magazine (New York). Simon Hewitt is Paris correspondent for several arts and antiques publications, including the Antiques Trade Gazette. Caroline Lees is a free-lance writer based in London who specializes in the arts.

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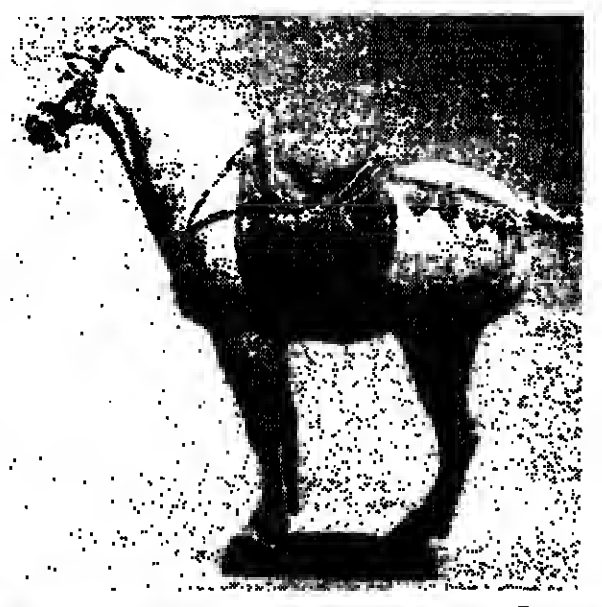
Chaque SOUTIRE: "Portrait de Pauline JOURDAIN", 1823. Oil, signed - M à 36 cm. Provenance: Madame S. Marcellin Castaing collection, Paris

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DROUOT RICHELIEU
9, Rue Drouot, 75009 Paris - Tel: (1) 48 00 20 20.

Friday, 4 June
Room 4 at 2 p.m. CHARLES V and 18th CENT. FURNITURE. RIBEVY-BARON, 5, rue de Provence, 75009 Paris. Tel: (1) 47 70 87 05 - Fax: (1) 45 23 22 92.
Room 1 & 7 at 2 p.m. EXQUISITE SET OF ANTIQUE SILVER. Mainly 16th, 17th & 18th century. POULAIN-LE FUR, 70, Avenue de Breteuil, Paris. Tel: (1) 45 67 11 31. Fax: (1) 42 73 35 95.

Monday, 7 June
Room 7 at 2:30 p.m. IMPORTANT MODERN PAINTINGS AND SCULPTURES, 40 works by Auguste HERBIN from the collection KOUROPATKA, BARANOFF-ROSSINE, BIEGAS, BUFFET, CHAPOVAL, CHARCHOUNE, COURMES, CSASKY, DEGAS, DERAIN, R. OUFY, FAUTRIER, GERNEZ, GUILLAUMIN, LEJOURC, LE CORBUSIER, LEGER, MARQUET, G. MOREAU, ORLOFF, STEINLEN, VAN DONGEN, VULLIARD, ZADRINE. On view at the auctioneer's Office from 31 May to 3 June, from 10 a.m. to 1 p.m. and from 2 p.m. to 6 p.m. 4 June, from 10 to 12 a.m. On view at the Hôtel Drouot 5 June, from 11 a.m. to 6 p.m. on 7 June from 11 a.m. to 12 a.m. Catalogue on request at the auctioneer's Office: FF. 100. LOUDMER, 7, rue Rossini, 75009 Paris. Tel: (1) 44 79 50 50. Fax: (1) 44 79 50 51.

Friday, 11 June
Room 4 at 2:15 p.m. COLLECTION Henri M. PETIT. IMPORTANT MODERN PRINTS (4th Sale). Jean-Louis PICARD, 5, rue Drouot, 75009 Paris. Tel: (1) 47 70 77 22. Fax: (1) 47 70 77 44.
Room 9 at 2 p.m. MODERN & CONTEMPORARY PAINTINGS, CALDER, DUFFY, LAM, H. HAYDEN, etc. POULAIN-LE FUR, 70, Avenue de Breteuil, Paris. Tel: (1) 45 67 11 31. Fax: (1) 42 73 35 95.

Wednesday, 16 June
Rooms 5 & 6 at 2:15 p.m. OLD MASTER DRAWINGS AND PAINTINGS, FURNITURE AND OBJECTS D'ART. COUTURIER-NICOLAY, 10, rue de l'Université, 75007 Paris. Tel: (1) 49 27 02 14. Fax: (1) 49 27 02 75.

Monday, 21 June
Rooms 5 & 6 at 8:30 p.m. IMPORTANT MODERN PAINTINGS AND SCULPTURES. Exceptional group of 3 DEGAS Sculptures from the estate of Albino PALAZZOLO, former director of the HEBERARD Foundation. LOUDMER, 7, rue Rossini, 75009 Paris. Tel: (1) 44 79 50 50. Fax: (1) 44 79 50 51.

Rooms 1 & 7 at 2 p.m. MODERN PAINTINGS, SCULPTURES, ART NOUVEAU, ART DECO, OLD MASTER PAINTINGS AND DRAWINGS, FURNITURE AND OBJECTS D'ART, TAPESTRIES, RUGS. MILLON-ROBERT, 19, rue de la Grange-Batelière, 75009 Paris. Tel: (1) 48 00 98 54. Fax: (1) 48 00 98 58.

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15, avenue Montaigne. 75008 Paris - Tel: (1) 48 00 20 20.

Saturday, 12 June and Sunday, 13 June
At 8:30 p.m. Saturday & 3 p.m. Sunday. COLLECTORS' TIMEPIECES: pocket watches, wristwatches, pendulum clocks, 16th to 20th century clock-works. Christian de QUAY, 8, rue Rossini, 75009 Paris. Tel: (1) 47 70 61 15. Fax: (1) 47 70 55 71.

HOTEL GEORGE V
31, avenue George-V. 75008 Paris

Friday, 18 June
At 8:30 p.m. COLLECTION of Jean-Claude BRUGNOT, ART NOUVEAU, ART DECO. MILLON-ROBERT, 19, rue de la Grange Batelière 75009 PARIS. Tel: (1) 48 00 98 44. Fax: (1) 48 00 98 58.

PALAIS DES CONGRES
Porte Maillot. 75016 Paris

Monday, 14 June
At 7:30 p.m. COLLECTOR'S AUTOMOBILES. POULAIN-LE FUR, 70, Avenue de Breteuil, Paris. Tel: (1) 45 67 11 31. Fax: (1) 42 73 35 95.

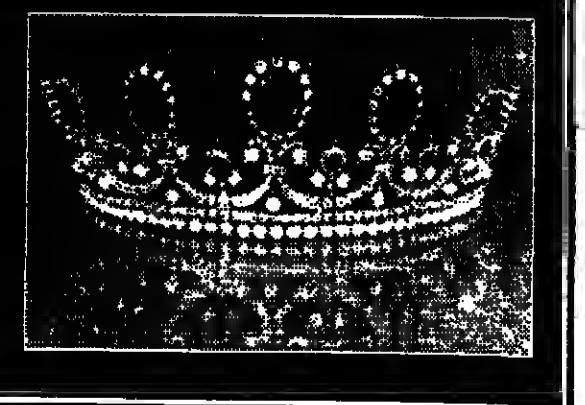
Treasures from a Royal Residence

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The contents of the Quinta do Anjunho bear witness to the history of the French royal family since the early 19th century.

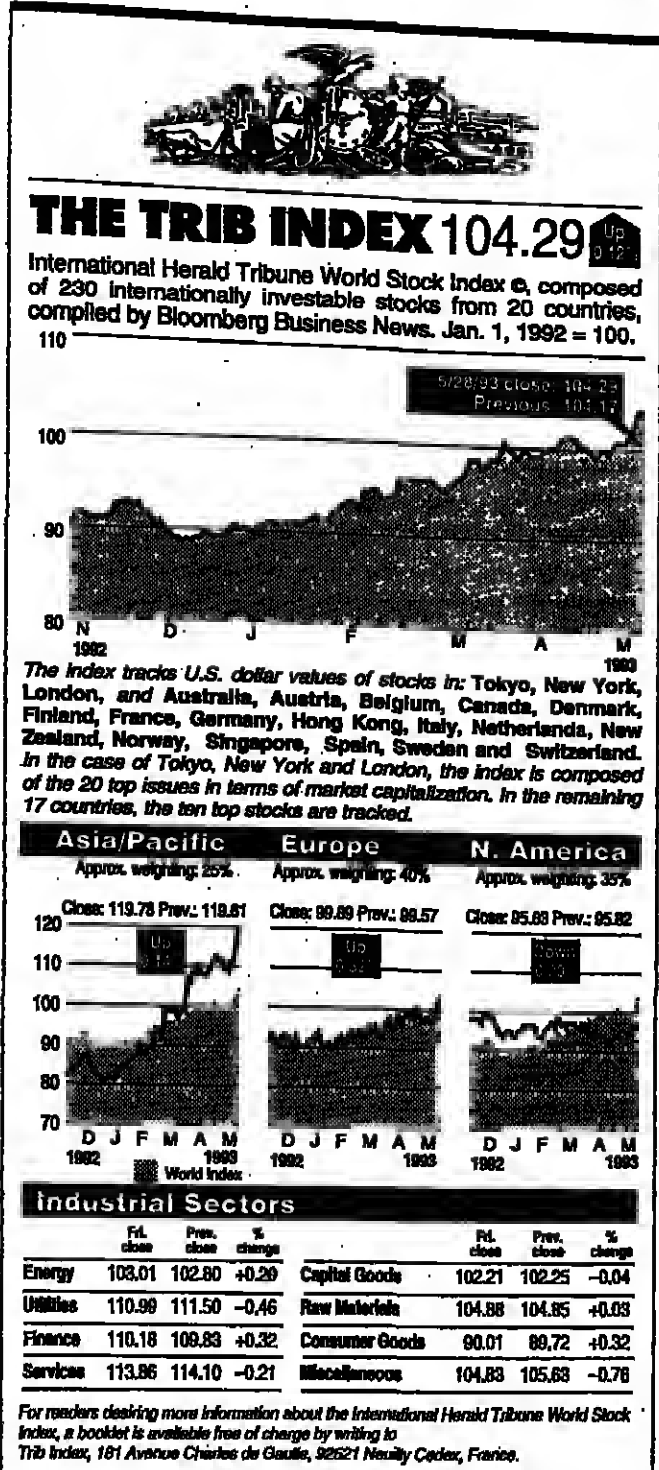
From 1945 to 1950, the Quinta do Anjunho near Lisbon was the main residence of their Royal Highnesses, the Comte and Comtesse de Paris. On 2nd and 3rd July, Sotheby's Monaco will sell the contents of this 18th-century villa, which include silver, jewels, paintings, furniture, works of art and books belonging to the Orleans family since the early 19th century. The sapphire, diamond and pearl tiara (right) will be sold on 3rd July, and is part of a *parure* assembled by the great jeweller Georges-Michel Bapst for Queen Marie-Amélie of France.

For further information about the sale and to order a catalogue, please call Alexandre Pradere in Paris on 33 (1) 4266 1060 or write to him at Sotheby's, 3 Rue de Miromesnil, 75008 Paris.



BUSINESS

International Herald Tribune, Saturday-Sunday, May 29-30, 1993



Ferruzzi Firms in Deep Loss

Compiled by Our Staff From Dispatches
MILAN—Montedison SpA said Friday it had swung to a huge loss last year because of heavy restructuring and debt-financing charges. The report of the loss came as the Ferruzzi family, which controls Montedison through Ferruzzi Finanziaria SpA, said it would cut its 100 percent stake in Eni's parent, Saipem Finanziaria SpA, by inviting in outside shareholders.

Ferruzzi also reported a loss Friday — 1.519 trillion lire (\$1.02 billion), compared with a profit of 115 billion lire the year before — as did the insurer La Fondiaria SpA. Ferruzzi's other major asset besides Montedison, Fondiaria's loss of 494.3 billion lire contrasted with a profit of 68.7 billion lire in 1991. Ferruzzi, like Montedison, cut its stake in Eni.

Montedison said its loss totaled 1.244 trillion lire in 1992, compared with a 168 billion lire net profit the year before. The loss for the Italian agro-industrial and energy concern far exceeded analysts' expectations.

Montedison said debt charges alone ballooned to 1.333 trillion lire from 692 billion. Net debt stood at 11.511 trillion lire, swelled in part by last year's devaluation of the Italian currency, which inflated the lira value of foreign borrowings. Sales grew to 16.97 trillion lire from 15.73 trillion lire.

The debts were built up during an acquisition spree in the late 1980s and have been swelled by a crisis in the chemicals industry. The company is in the midst of a program to sell many units to cut the debt and concentrate on its core agro-industry and energy activities.

This week, Montedison announced it had sold the remaining 49 percent stake in its pharmaceuticals unit to a group of institutions for 650 billion lire. Montedison said the sale would reduce net debt by 1.9 trillion lire. It also said a joint venture between its Eni unit, polymers unit and Royal Dutch/Shell would "contribute to the financial and equity balance of the group."

The company added that its sales advanced 33 percent in the first quarter, to 5.16 trillion lire, while profit before finance charges rose by half, to 690 billion lire. (Bloomberg, AFP)

Tokyo's \$200 Haircuts

By David E. Sanger
New York Times Service
TOKYO—Tokyo has long ranked as the world's most outrageously expensive city. Tourists go home with tales of street vendors selling musk melons for \$100 a piece. Now, with a sudden surge in the yen that has shaken Japan for the past three months, and driven the dollar to historic lows day after day, the outrageous has turned to the ridiculous.

So ridiculous that when President Bill Clinton arrives here in five weeks for his first economic summit meeting, he won't have to stay on Air Force One to spend \$200 on making sure his hair is right for photo ops with the other leaders of the industrial world. He can easily drop that much getting it styled in the basement of his hotel. If he decides on something more modest, the barber at the famed Okura Hotel said this week that he stands ready to provide a quick trim and a shampoo for a mere \$107.50, at recent record high rates of around 107 yen to the dollar.

On the airwaves and in all newspapers, where the soaring yen dominates the news, the U.S. administration is routinely described as the chief villain. Under the conspiracy theories now abroad in Tokyo, Washington has decided to cause the maximum pain to Japanese industry by driving up the price of their exports. The only problem is that the wide trade gap between the two countries.

But no matter how loudly the Japanese scream, the thousands of expatriates working in Tokyo are screaming louder, especially if they are paid in currencies that have fallen sharply against the yen.

At least it has made the math easier. Working out the cost of things in dollars used to involve thinking in multiples of 7 or 8. For example, a 10,000 yen note, which has the emotional feel of a \$20 bill, was actually worth somewhere between \$66 and \$80 in recent years. But that was with the yen flitting between 125 and 150 to the dollar.

"Now it's simple," said Kathleen A. Kriger, the general manager of Jardine Business Services here, which rents out ready-to-operate offices to foreign companies that cannot afford regular Tokyo real estate costs. "There's no multiplication. To convert to dollars you just drop the last two digits. And you've spent a hundred dollars."

Indeed, to make one's way through Tokyo these days is to feel that \$100 bills are flying through your hands — and all you did was meet someone for a rushed lunch and hopped a taxi for the 10 minute ride back to the office.

And that's a cheap day. A bullet train ride to Kyoto now runs \$120. At Meiji-ya, an upscale supermarket, a gift basket of fancy fruits, the kind you would send to a prospective client, runs \$231.

The cost of doing business in Tokyo has caused many companies to think twice about sending more of their people abroad. A few weeks ago, a consulting firm concluded that to feed and house an American family of four on a mid-level executive income would require roughly \$110,000 a year in extra payments for housing and cost-of-living adjustments. That was before the yen's slump; the figure now would be closer to \$125,000.

Hiring Japanese staff instead is not much of a solution. The other day, the head of an American electronics company's office, having an afterwork beer with a friend (3,200 yen, or \$29.62), confided that he had made a horrifying discovery. His Japanese deputy, who is paid in yen, was now making nearly twice as much money in dollar terms as the American executive, who is paid in dollars.

"We can't pay him less; we'd lose him," the executive said. "And he doesn't even feel rich," he said, noting that his colleague stands for an hour on the train every morning just to get to work.

Japan Carmakers Count Cost of High Yen, Falling Sales

Bloomberg Business News
TOKYO—Japan's major automakers posted dismal annual results on Friday as the explosive surge of the yen and slumping demand at home and abroad exacted a heavy toll.

Nissan Motor Co., Japan's second-largest automaker, posted a pretax loss of 26.25 billion yen for the year ended March 31. Nissan executives said they hoped the company would break even this year.

The automaker, which also has interests in aerospace, reported that on a group basis it lost 108.1 billion yen. It was the first time Nissan posted losses at the pretax level since its stock was listed in 1951.

Other major auto manufacturers such as Mazda Motor Corp. and Mitsubishi Motors Corp. weighed in Friday with similarly grim results for the year. Japan's largest automaker, Toyota Motor Corp., is expected to show a 20 percent drop in profit to 300 billion yen when it reports its results in August.

And with news Friday that the yen hit yet another record high against the U.S. dollar, the outlook for Japan's once mighty automakers, and the Japanese economy as a whole, seems decidedly doombate in the year ahead.

"From 120 yen, any appreciation of the yen gives pain to Japanese companies," said Atsushi Muramatsu, Nissan's executive vice president and chief financial officer. "If this kind of exchange rate is going to continue for some time, there is going to be a need for the Japanese economy to restructure."

The yen is up 14 percent against the dollar this year, standing now at around 107 to the U.S. currency. Its surge could not have come at a worse time for Japan's automobile industry.

The last two years have been a rude awakening for this industry, which boomed in the 1980s. Domestic vehicle sales have fallen for the second year running. And sales could fall this year by another 6 percent before making a small rebound in the following year, according to Steven Usher, an analyst at Kleinwort Benson International.

Export sales are also depressed. Rising trade tensions with the United States and Europe are starting to crimp sales in the industry's two largest export markets.

What is more, Detroit automakers have come a long way in closing the quality gap with Japanese. And

See CARS, Page 15

ECONOMIC SCENE

A Better Way of Tracking People's Living Standards

By Peter Passell
New York Times Service
NEW YORK—It's official: The International Monetary Fund has decided to compare national incomes according to purchasing power rather than the exchange value of their currencies. The resulting changes in the international pecking order — notably the elevation of China from No. 10 to No. 3 in total output — will not "put more food in the belly of a single hungry child," notes Robert Summers.

But the University of Pennsylvania economist who, along with his colleague, Alan Heston, pioneered purchasing-power-based national accounting, thinks the decision was a long overdue victory for scholarship and common sense. It may also spare non-economists the puzzle of news reports that show Russians to be as poor as Haitians, or cast Japanese who live in rabbit hutches as the richest workers in the world.

It is relatively easy to compare the income of a resident of Des Moines with that of a Miamiian. Both are paid in dollars; both buy the same goods and services at Sears and Burger King.

But there are daunting problems when it comes to comparing the living standards of nations with different currencies and very different tastes. In the past, the IMF hardly tried: Incomes were simply totaled in each currency, then converted to dollars at prevailing exchange rates.

This approach was rationalized by the diktat of the great economist Cassel, who some 80 years ago wrote that as long as there is anything like free movement of merchandise, "the actual rate of exchange cannot deviate very much from the purchasing-power parity."

Some economists still craft mathematical models defining the conditions under which Cassel would be right. But as the Nobel Memorial Prize-winning economist Paul Samuelson points out, such theorems are "either trivial or absurd" in the modern context.

If Cassel were close to the truth, changes in exchange rates should track relative changes in domestic prices. In fact, notes Rudiger Dornbusch of the Massachusetts Institute of Technology, there was no correlation between inflation rates and the exchange value of the dollar with other major currencies during the 1970s and much of the 1980s.

As important, the two University of Pennsylvania economists, along with their late colleague, Irving Kravis, found a systematic divergence between exchange-rate and purchasing-power calculations when rich countries were compared with poor ones.

The explanation is simple. Local prices of goods traded on world

Behind Dell's Troubles: Was It Man or Machine?

By Steve Lohr
New York Times Service
THE price wars that have produced a mass market for personal computers can be traced to the stone-and-mirror glass headquarters of Dell Computer Corp. in Austin, Texas.

The upstart Dell, more than any other company, set the standards for price and customer service that by last year could no longer be ignored by rivals like Compaq Computer Corp. and International Business Machines Corp.

Until recently, it seemed Dell could do no wrong. One of the fastest-growing companies in America, Dell's sales more than doubled to \$2 billion last year as its profits soared.

How, then, to explain the ouch this week, when Dell conceded that it had stumbled, badly misjudging the growing market for small notebook computers? On Tuesday, Dell said it was axing plans to build machines that suddenly looked like laggards, canceling orders with suppliers and taking a big charge against earnings.

For outsiders, the blow seemed to come without warning. This, after all, was a company that had climbed from obscurity to become the fourth-largest personal computer company in America, after IBM, Apple Computer and Compaq, whose 28-year-old founder, Michael Dell, who started the company from his University of Texas dormitory room at age 19, had emerged as the computer industry's latest super-rich entrepreneur.

Management experts have pointed to Dell as a model of the lean, nimble company of the future, deftly using technology to streamline

distribution, manufacturing and customer service — a kind of high-tech Wal-Mart.

Dell shook investors Tuesday by reporting that its first-quarter profit was down by half, to \$10.2 million, even though its revenue rose more than 80 percent, to \$672 million. The stock plunged 23 percent that day, by more than \$7 a share, to \$24.75. Dell's shares closed Friday at \$24.25, up 62.5 cents, having been weak earlier in the day.

The problem raises questions about the Dell model, as well as about the judgment and credibility of its management.

Last month, when Mr. Dell was asked by a reporter about industry speculation that the company was having troubles with its notebook computers, the young entrepreneur replied with a characteristic Dellism — an edgy, irreverent put-down of detractors.

"One plane is late and these guys claim the whole airline is going down the tube," Mr. Dell said in early April. "These people are babies."

At the time, the industry rumors were mainly about quality problems with Dell's notebook computers, ranging from broken hinges to faulty battery packs. Though consultants say there were, and continue to be, product defects, the big setback this week centered on a different issue — which Dell officials insist became apparent only in the last few weeks.

Dell, recognizing that it needed help with its notebook business, recruited John K. Medica from Apple Computer Inc. in March. Mr. Medica headed the design team behind Apple's extraordinarily successful

See DELL, Page 13

U.S. to Press Japan On Behalf of Others

By Steven Greenhouse and Andrew Pollack
New York Times Service
IN an attempt to end criticism that it is selfishly trying to help only American companies, the administration of President Bill Clinton plans to take a new tack in trade talks, officials say. The idea is now to press Japan more than ever to increase imports from all countries and not just the United States.

The officials, who spoke on the condition that they not be identified, said Thursday in Washington that the change would be part of a new trade strategy toward Japan that is scheduled to be announced next week. They said they would try to enlist European countries in the effort.

In the past, European countries have described Washington as a bully that had pressed Japan to increase its imports from the United States but not other countries.

Foreign officials have said the unilateral pressuring to open Japan to American goods and services, when backed by threats of retaliation, had violated international trade rules and sought to create favoritism for American companies.

This time an American official said, "While the talks will be bilateral, the focus will be multilateral."

Administration officials said they hoped to bring maximum international pressure on Japan before the leaders of the Group of Seven industrial nations met in Tokyo from July 7 through July 9. They planned to urge Japan to agree to import more in specific sectors and to do more to stimulate its economy to end its slump — a move that should increase its demand for imports.

But Japan, ahead of crucial preliminary talks with the United States next week, is laying the groundwork to resist such demands.

Japanese officials in Tokyo said Thursday that their side would propose strict ground rules for the June talks that would exclude certain topics, including the setting of numerical targets, from discussion.

The proposed rules would also allow Japan to suspend the talks if it was threatened with sanctions by the United States, according to a document of six "underlying principles" that the government of Japan has drawn up to guide it in the negotiations. The talks are aimed at developing a new framework for trade between the world's two largest economies.

If Japan stuck to its principles, it would seem to preclude the United States from pursuing the core of its new trade policy toward Japan and would leave little for the two nations to discuss. However, Japan has often backed down from tough stands under pressure from the United States.

Moreover, there are probably ways of wording discussions and

See TRADE, Page 15

CURRENCY & INTEREST RATES

Cross Rates		Eurocurrency Deposits	
	May 28		May 28
Amsterdam	1.38	Dollar	3 1/8-3 3/4
Berlin	2.22	D-Mark	7 1/4-7 3/4
Frankfurt	1.38	Swiss Franc	5 1/4-5 1/2
London (a)	1.52	French Franc	5 1/4-5 1/2
Madrid	165.80	Sterling	5 1/4-5 1/2
Paris	165.80	Yen	7 1/4-7 3/4
New York (b)	1.00	ECU	3 1/4-3 1/2
Porto	200.00		
Tokyo	165.80		
Zurich	1.38		
1 ECU	1.38		
1 SDR	1.00		

Key Money Rates	
United States	Britain
Discount rate	6.00
Federal funds	6.00
3-month CD	5 1/2
6-month CD	5 1/2
1-year CD	5 1/2
1-year Treasury bill	5 1/2
2-year Treasury bill	5 1/2
3-year Treasury bill	5 1/2
5-year Treasury bill	5 1/2
10-year Treasury bill	5 1/2
10-year Treasury note	5 1/2
10-year Treasury bond	5 1/2
Merrill Lynch 30-day Treasury bill	5 1/2

Gold	
	May 28
Zurich	382.25
London	382.00
New York	382.00
U.S. dollars in London	1.65
U.S. dollars in New York	1.00

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Sources: Reuters, Bloomberg, Merrill Lynch, Bank of Tokyo, Commerzbank, Greenwell, Montagu, Credit Lyonnais.

MARKET DIARY

Deficit Pessimism Drags Down Stocks

NEW YORK — Stock prices tumbled Friday in the slowest trading in two months amid pessimism about the prospects for federal deficit reduction.

Traders said prices were also pulled down by profit-taking after two straight sessions of record high closes.

The Dow Jones industrial average slid 27.40 from Thursday's record high of 3,554.83, to close at 3,527.43.

The Nasdaq composite index, up 30 percent since April 1, slipped 3.40 to 700.53.

Declining common stocks outnumbered advances 4 to 3 on the New York Stock Exchange.

Stocks opened lower after President Bill Clinton's deficit-reduction bill won a narrow victory in the House of Representatives.

The market is reading that it's going to have a very tough time in rates in a style dealers found intimidating, they said.

A Lehman Brothers analyst, Lisa Finstrom, said that the Fed intervention would not work.

The dollar finished the day at 106.95 yen, down from 107.15 at the close on Thursday.

The dollar finished the day at 1.5875 Deutsche marks from 1.6034 DM, to 1.4182 Swiss francs.

Foreign Exchange from 1.4296, and to 5.3538 French francs from 5.4095.

Friday's U.S. trading session was shortened ahead of the 3-day Memorial Day holiday weekend.

The dollar tumbled to a historic low of 106.84 yen in Europe, but when the dollar approached that level in New York, the Fed unleashed a heavy and repeated series of intervention that traders estimated at anywhere between \$10 million and \$1 billion.

The Fed was in the market around a dozen times, buying dollars for yen at various levels, dealers said, often persistently seeking

the Senate, and that would be very negative for the bond market," said Richard Ciardullo, head trader at Eagle Asset Management.

Treasury bond prices tumbled 1/8 of a point as investors worried about the outlook for deficit reduction, traders said.

The yield on the benchmark 30-year bond rose from Thursday's 5.55 percent to 5.58 percent, up 5 basis points from Thursday.

The surge in yield touched off a barrage of computer-aided sell orders for stocks around midday, driving prices to session lows.

Shares of steel producers weakened on concern the U.S. administration may be more willing to agree to circumvent duties on foreign-steel products.

National Steel Corp.'s class B shares fell 1/8 to 18 1/2. USX-USA Steel Group Inc. went down 2 1/4 to 43.

US West Inc. advanced 1/4 to 43. The regional Bell operating company plans to sell its US West Financial Services unit, which earned \$55.1 million in 1992, to raise money to expand its telecommunications business.

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Amy Smith, an analyst at IDEA, agreed, saying that the market also increasingly held the belief that the U.S. administration, and particularly the Treasury, wanted to see the yen appreciate further.

They wanted the yen to rise across the board, and it has, and they probably would like it to go further," Ms. Smith said.

The dollar has fallen sharply, which is not what they wanted — but a lower dollar is inevitable if the yen is to rise further."

The dollar found no support in U.S. data released Friday, which revised GDP growth for the first quarter down to 0.9 percent.

Additional to that, three Bundesbank officials warned that the scope for German interest-rate cuts may have narrowed.

The German central bank had sold some accumulated dollar reserves in the open market recently.

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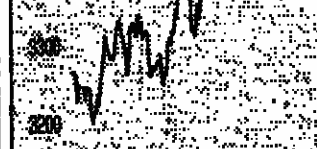
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The Dow

Daily % Change in Dow Jones Industrial Average



Vol. High Low Last Chg.

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Dow Jones Averages

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EUROPEAN FUTURES

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Stock Indexes

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Metals

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WORLD STOCK MARKETS

Agencies: France Press May 28

Table with columns: Close Prev., Class Prev. for Amsterdam.

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Off Monaco, a (True) Fish Story
Entrepreneur Tries an 'Industrial Scale' Floating Farm

By Jacques Neher
Special to the Herald Tribune
MONACO — Olivier Bourgeois is one of this city's high rollers, but you won't find him at a glitzy casino...

Jan-Paul Lepege, a journalist for the French marine trade magazine Le Marin. He noted, however, that other offshore farms had been launched in recent times off the coasts of Spain and Greece.

'We have opened the door to fish-farming technology of the 21st century.'

Olivier Bourgeois, founder of P2M

Greece. This year, marine aquaculture production in Europe, excluding shellfish, is expected to total 30,000 tons to 40,000 tons.

P2M sells most of its two-year-old commercial-size fish to Italian and French wholesalers and retailers for about 95 francs (\$17.50) a kilogram. It also supplies onshore fish farms with fish of less than two grams for about 3 francs each.

To minimize costs and respect environmental concerns, Mr. Bourgeois cobbled his farm together mostly from second-hand materials. In addition to the Japanese-built Labrax, which was ready for junking after 25 years of service, the farm's floating cages are suspended from buoyant tubes that were formerly used in offshore oil rigs.

him to boost production because it would give breeding tanks year-round access to cool water, necessary for stimulating the fishes' reproductive activity. In summer, when the sea's surface temperature reaches 27 degrees centigrade (81 Fahrenheit), the Labrax can continue to circulate 16-degree water, pumped from a depth of 70 meters (230 feet), through its hatcheries. By modifying light and water temperature, the offshore farm can simulate the conditions in fall, when natural reproductive activity occurs in these fish.

'We've got fish that think it's October now,' he said. He added that he was now operating three reproductive cycles a year instead of one.

Despite his logical-sounding arguments and abundant enthusiasm, Mr. Bourgeois had a difficult time hooking investors. He spent almost a year in search of financing and made dozens of presentations. He ultimately caught the interest of Almabo Holding, owner of the Belgian maritime group CMB, and the ship operator, Exmar.

'It wasn't easy trying to convince people to put up \$20 million for a new business like this, but since Almabo was already in shipping, it felt this activity could fit in well with its others,' said Laurent Witthoff, financial director of P2M.

Almabo contributed the Labrax and funds to outfit it in exchange for all but "a couple percent" of equity in P2M, which was reserved for the founder. Later, expansion loans were secured from the French banks Paribas, Credit Agricole and Societe Generale.

In 1990, the new company floated to Monaco, which held out a welcome mat for the enterprise. The government has been seeking to diversify Monaco's tourism-based economy into nonpolluting industry, particularly with activities related to the sea.

At Bundesbank, No Room for Rate Cuts Now

Compiled by Our Staff From Dispatches

FRANKFURT — Three members of the Bundesbank's policy-making council said Friday they saw no room for further German interest-rate cuts at the moment.

'The unsatisfactory development of prices and steep money supply growth do not make further cuts in interest rates advisable at present,' said Guentam Palm, a member of the German central bank's council and president of the state central bank of Baden-Wuerttemberg. 'They are made even less so by the public deficits,' he said.

The Bundesbank will utilize whatever room for rate cuts there is, but right now there is none," Mr. Palm said at the regional bank's annual news conference in Stuttgart. The rate of inflation must come down, M-3 must move back within the target and public spending must be curbed drastically.

In April, German M-3 money supply grew at an annualized rate of 7.3 percent, above the Bundesbank's 1993 growth target of 4.5 percent to 6.5 percent.

Western Germany's cost of living, meanwhile, rose 4.2 percent from a year earlier in May, more than twice the Bundesbank's goal of 2 percent or less, according to figures released Friday.

Another council member, Dieter Hiss, said the Bundesbank was ready to trim interest rates if there was leeway, but ruled out the possibility if monetary stability in Germany was threatened.

Mr. Hiss, who is also president of the regional central bank of Berlin and Brandenburg, predicted a "clear" drop in German inflation later this year as a result of the weakening economy.

This year's moderate wage agreements and signs that the govern-

ment is making serious efforts to reduce public spending could improve the outlook for inflation this year, he said.

A third council member, Lothar Müller, president of the central bank of Bavaria, echoed the comments of his colleagues in an interview published Friday.

Mr. Müller told the Süddeutsche Zeitung newspaper there was no room for further cuts because of the strong growth in M-3 in April and the worsening of the budget deficit.

'We're facing the deepest recession ever seen in Germany,' Mr. Müller said. "All economic indicators point to this."

(Bloomberg, APX)

Jobless Rate Rises in France

Compiled by Our Staff From Dispatches

PARIS — The number of people looking for work shot up another 45,600 in April, pushing the unemployment rate from 10.7 percent to 10.9 percent, the Labor Ministry reported Friday.

Some 1.5 percent more people were seeking jobs in April, for a total of 3.112 million. Over the first four months of the year, the number of job seekers has risen 4.1 percent.

The French economy, which contracted in the last quarter of 1992, is expected to shrink by another 0.75 percent in the first half of this year, according to the National Statistics Institute.

(Reuters, Bloomberg)

Investor's Europe

Table with columns for Frankfurt DAX, London FTSE 100 Index, Paris CAC 40, and various stock indices with their respective values and changes.

Very briefly:

- The European Community and Japan, meeting in Brussels for the first time under a program of regular consultations established in January, agreed to step up cooperation in areas ranging from environmental protection to technical standards.
• Russia said it wanted to renegotiate its agreement with De Beers Consolidated Mines Ltd. so that it could sell up to 20 percent of its diamond production. Russia is now allowed to market only 5 percent.

EC Measures a Reply to U.S. Sanctions

Compiled by Our Staff From Dispatches

BRUSSELS — The European Community likely will retaliate after the United States barred the awarding of \$19 million in U.S. government contracts to European companies, officials said Friday. But sides on both sides moved to play down the dispute.

Officials said the Community was considering imposing its own sanctions, worth about \$15 million, on U.S. companies doing business in Europe. They said the EC Commission was expected to draw up a list of measures, possibly early next week, and submit it to foreign ministers at a meeting in Luxembourg on June 8.

Sentiment in favor of strong EC action was widespread among members, the officials said. "There's a feeling there has to be retaliation," said Sir Leon Brittan, the Community's top trade negotiator.

"It's a general feeling, not simply by one or two hard-liners."

Still, both sides appeared to be trying to contain the latest fight in the hopes of preventing it from spreading to the Uruguay Round of world trade negotiations being held under the auspices of the General Agreement on Tariffs and Trade.

Brussels and Washington will hold further talks at an informal meeting of trade ministers of the so-called Quad — which groups the United States, Canada, Japan and the Community — on Tuesday in Paris.

"We are not going to allow this issue to delay or frustrate the progress we are making in the Uruguay Round, nor let it poison the atmosphere," said Sir Leon Brittan, the Community's top trade negotiator.

Echoing this, a U.S. official said that while the sanctions were required by law, "there's a desire to move forward and put this all behind us." He added, "The atmosphere is still constructive."

Nevertheless, Washington has heightened tensions with its largest trading partner over what some see as a relatively minor issue in their annual two-way trade of \$200 billion.

Goods and services placed on the black list range from dredging and film production to airport concessions and telecommunications.

Officials said the Community likely would impose sanctions covering similar services, although at a reduced level of \$15 million in an effort to keep the dispute contained.

"The list of targets is long, but the impact is limited," said Peter Guiford, a spokesman for Sir Leon.

In the last two years, Mr. Kocher explained, Dell has grown from a \$500 million-a-year company to a \$2 billion company. This year, despite the setback in profits, Dell expects revenue to reach \$3 billion. That kind of explosive growth, he noted, has strained its systems for managing everything from inventories to product forecasting.

Whatever the organizational problems, Dell has not kept pace in the fast-growing notebook market for some time. As a share of the company's revenue, notebook sales have declined from 17 percent last summer to 6 percent currently.

DELL: Were Troubles With a Computer Model, or a Management One?

(Continued from first finance page)

Powerbook line of notebooks, and once aboard Dell, Mr. Medina and two other recently arrived executives — Scott Flaig, a senior vice president, and Thomas L. Thomas, the chief information officer — began reviewing Dell's strategy in notebooks.

Not liking what they saw, Mr. Medina and the others scrapped Dell's product plans, mainly because the company had misread how quickly customers wanted more powerful notebooks, based on 486-class microprocessors instead of the previous-generation 386s.

Dell is now being criticized for not giving

Wall Street and the industry some earlier signals of the troubles in its notebook business, instead of springing Tuesday's surprise.

"Dell has to know before they announced it, and I think it was an error in judgment to have kept it secret for so long," said Seymour Martin, a consultant in Palo Alto, California.

Jed Kocher, the president of Dell's worldwide sales and services division, portrayed its notebook troubles as a problem that is finally being tackled aggressively.

"We simply didn't put the resources in that we should have in terms of skilled people, time and investment," he said.

RELIGIOUS SERVICES

Religious Services directory listing churches and synagogues across various European cities including Amsterdam, Berlin, Bonn/Köln, Bremen, Bucharest, Budapest, Madrid, Munich, Montecarlo, Paris and suburbs, Wuppertal, Darmstadt, Düsseldorf, Frankfurt, Hamburg, Barcelona, and others.

PARITY: Purchasing Power, a Better Way to Compare Living Standards

(Continued from first finance page)

markets do more or less track exchange rates. But goods and services that do not easily cross borders — everything from restaurant food to house painting — are much cheaper in countries with very low wages than exchange-rate computations would imply.

That apparently explains why the purchasing-power method shows that the income of China is far outstripping seven times greater and that of India is four times greater than exchange-based computations.

If you work for Sony, you may still want to know how many more Walkmen a year's wages in Turkey would buy than a year's wages in Nigeria. But comparisons of living standards can be built only around purchasing-power estimates.

Why, then, did the IMF and its cousin, the World Bank, take the easy way out for so long? One answer, Mr. Dornbusch suggests, is that politics dominated science. Systematic underestimates of living standards gave poor countries a stronger moral case for aid from the rich ones.

Exchange-rate-based calculations show the industrialized countries hogging 78 percent of the world's income, while purchasing-power calculations put the figure at just 54 percent.

What finally pushed the IMF to do the right thing, Mr. Dornbusch believes, was the difficulty of designing and monitoring development strategies for the former Soviet bloc without plausible benchmarks for comparing incomes. Certainly, currency calculations suggesting that Muscovites can get by on \$1 a day are ludicrous.

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Form with columns for game numbers (1-49) and checkboxes for game types (One Game, Two Games, etc.) and subscription options.

GROWTH: U.S. Expansion Is Scaled Back Sharply as Inflation Soars

Continued from Page 1

terly rate in over two years. The so-called fixed-weight GDP deflator, which is the broadest inflation measure, climbed to a 4.2 percent annual rate, compared with a 0.4 percent rate last summer.

The upward creep in inflation over the past few quarters, while not necessarily likely to continue, recently led the Federal Reserve's policy-making committee to authorize the Fed chairman, Alan Greenspan, to tighten monetary policy before the next meeting if conditions warrant.

"Things aren't going very well," said Joel Prakken, an economist at Laurence Meyer & Associates, an economic forecasting company in St. Louis, Missouri.

Still, despite the looming uncertainties over taxes, health-care reform and Fed policy, most forecasters see signs that the economy is doing better now than in the winter. They expect

growth to return to a 3 percent or higher rate in the second half and inflation to subside slightly.

Recent reports suggest that retail sales, car purchasing and home buying picked up in April and May. Government spending, while on a gently downward path, is not apt to contract as sharply as it did in the winter, when there was an abrupt shrinkage in military spending at a more than 25 percent annual rate. And foreign producers are likely to share some of the pain of getting inventories back into line with sales.

"In the second quarter, we should get a substantial reversal in imports," said Gordon Richards, chief economist for the National Association of Manufacturers.

But growth in the current quarter could easily remain short of the 3 percent rate.

"A lot of businessmen were totally misled by strong consumption late last year," said Mr. Richards. "Those inventories have to be liquidated."

If growth does fall short of 3 percent, further gains on the job front could be delayed.

The Commerce Department report was not all gloom, however. Businesses have been spending even more heavily on new equipment than originally thought, and the figures indicated that this trend might continue.

Equipment investment rose at a 16.5 percent annual rate in the first quarter, nearly twice as fast as the 8.6 percent annual rate initially reported. Profits were up by a 5.3 percent annual rate, to \$253.8 billion, after climbing at an 8.5 percent rate in the previous quarter.

In a separate report, the Commerce Department said a drop in exports caused the U.S. merchandise-trade deficit to shoot up 12 percent, to \$29.07 billion, in the first quarter, the widest gap in more than four years, news agencies reported.

U.S. exports fell at a 2.6 percent annual rate during the first period, while imports from abroad increased at a 12 percent rate.

NASDAQ

Friday's Prices
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

13 Month High Low Stock Div Yld PE High Low Latest Crys

13 Month High	Low	Stock	Div	Yld	PE	High	Low	Latest	Crys
100	90	IBM	1.50	3.5	15	100	90	95	100
100	90	Microsoft	0.00	0.0	15	100	90	95	100
100	90	Oracle	0.00	0.0	15	100	90	95	100
100	90	Sun	0.00	0.0	15	100	90	95	100
100	90	Intel	0.00	0.0	15	100	90	95	100

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100	90	Sun	0.00	0.0	15	100	90	95	100
100	90	Intel	0.00	0.0	15	100	90	95	100

AMEX

Friday's Closing
Tables include the nationwide price up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

13 Month High Low Stock Div Yld PE High Low Latest Crys

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100	90	Sun	0.00	0.0	15	100	90	95	100
100	90	Intel	0.00	0.0	15	100	90	95	100

13 Month High	Low	Stock	Div	Yld	PE	High	Low	Latest	Crys
10									

Focusing Diplomacy On Serbia

NEC Slips To Loss on Weak Sales

Compiled by Our Staff From Dispatches

TOKYO — NEC Corp., the biggest Japanese producer of chips and portable computers, reported Friday its first consolidated loss in almost 20 years as the slump in the domestic computer market cut sales.

NEC had a group pretax loss of 37.69 billion yen (\$347 million) in the year that ended March 31, after 1.45 billion yen profit in 1991-92. Sales dropped 6.9 percent to 3.51 trillion yen.

NEC said a major reason for the group loss was huge depreciation losses at its chip units. The parent company reported a net profit of 16.53 billion yen, down 57.3 percent from a year earlier.

The slow Japanese economy was the principal cause of the company's disappointing results, as consumers and companies refrained from spending on such items as computers and office equipment.

Still, the company said it expected group pretax profit of 40 billion yen in 1993-94, with sales recovering to 3.7 trillion yen.

Meanwhile, Mitsubishi Electric Corp. reported that its consolidated pretax profit fell 26.6 percent to 19.6 billion yen in the year to March and forecast further decline in its sluggish markets.

The third-largest maker of electrical machinery after Hitachi Ltd. and Toshiba Corp., Mitsubishi said group sales fell 2.5 percent from a year earlier to 3.3 trillion yen.

It linked the earnings slump to the "decline in the semiconductor industry and dull demand for home-electric products." (Reuters, AFP)

Darker Days for Steel Profits Drop at Japan's Big Producers

Compiled by Our Staff From Dispatches

TOKYO — Japan's six largest steelmakers reported Friday that their profits had plunged in the latest financial year, and said the outlook was dim for the current year.

The steelmakers, including the world's largest, Nippon Steel Corp., said the poor results in the year ended March 31 were mainly attributable to steel sales being depressed by the sluggish Japanese economy.

Excess supply also caused prices to fall at home and overseas, cutting into profits. In addition, the yen's rise turned dollar earnings into fewer yen.

Nippon Steel reported that parent pretax profit plunged by 71.2 percent to 28.9 billion yen (\$249 million) for the third consecutive year-on-year fall. The company said sales edged down 9.9 percent to 2.369 trillion yen, the first such decline for four years. Nippon added that it expected a group pretax profit of 29 billion yen for the year, down from 101.2 billion.

"We are facing a very severe business environment," said Takao Katsumata, Nippon Steel's vice president, according to a spokesman. "The outlook is still unpredictable."

The vice president blamed the poor results on the sharp appreciation of the yen, which hammered Nippon Steel's main customers, including auto and electronics makers.

The company said it expected a pretax loss of 5 billion yen in the six months to September.

NKK Corp., the country's second-largest steelmaker, said its pretax profit slumped 89 percent to 4.1 billion yen, while sales slumped 4 percent to 1.26 trillion yen.

The company blamed the poor performance on a decline in sales to major domestic sectors including construction, auto and industrial machinery, despite a rise in exports, particularly to China.

Sumitomo Metal Industries Ltd. said its parent pretax profit had dropped 86.9 percent to 5.3 billion yen. Sales edged down 4.2 percent to 1.109 trillion yen. The company attributed the profit decline to the continuing weakness of the steel

market, lower export prices and higher costs for subcontractors' services.

"The steel industry should see a slight recovery of domestic demand," the company said, but added, "The outlook for recovery in private-sector equipment investment and consumer spending is not optimistic."

Sumitomo also expressed concern over further "confusion" in the export market caused by the mighty yen and instability in regions such as the former Soviet Union.

It said it expected to report, for the year to

'We are facing a very severe business environment. The outlook is still unpredictable.'

Takao Katsumata, Nippon Steel

March 1993 consolidated pretax profit of 30 billion yen on revenue of 1.82 trillion yen.

Kobe Steel Ltd. said its parent pretax profit had plunged 69.6 percent to 14.5 billion yen on sales of 1.177 trillion yen, down 9.5 percent.

It predicted group pretax profit would drop 80 percent to 10 billion yen on sales of 1.33 trillion yen, down 8.6 percent.

Kawasaki Steel Corp. said its parent pretax profit dived 82.5 percent to 7.5 billion yen on sales of 1.092 trillion yen, down 9.6 percent.

Nissan Steel said its parent pretax profit fell 60.2 percent to 11.7 billion yen on sales of 399 billion yen, down 7.6 percent.

The steelmakers expect the bad times to continue at least for a while and said parent current losses were inevitable in the first half of the current financial year, which ends March 31, 1994.

But they hope the Japanese economy will start recovering in the second half, putting them in the black for the full year. (AFP, Reuters)

Japan Workers Buck the Trend On Job Market

Compiled by Our Staff From Dispatches

TOKYO — Despite the two-year economic slowdown and the soaring yen, workers here are faring much better than their counterparts in the United States or Europe, data released Friday showed.

The Management and Coordination Agency said Japan's seasonally adjusted unemployment rate in April remained steady for the fourth month in a row, at 2.3 percent, very low compared with other major industrialized countries.

In a continuing trend toward lower inflation, consumer-price inflation in the Tokyo area rose 1.0 percent in May from a year earlier. Data also showed that in April, consumer prices nationwide rose 0.9 percent from a year earlier.

Economists said they were surprised by the low unemployment figure in light of the slowdown.

Appreciation of the yen slashes the profitability of Japanese exporters and their subcontractors as their dollar-denominated income declines. Alarmed by this gloomy outlook, such major exporters as automakers and electronics companies have trimmed their staffs to minimize operational costs.

"I still look for the unemployment rate to trend higher, but we are far from seeing wholesale random sackings of staff," said Anthony Nafe, economist at IDEA, a financial market analysis company. He and other economists said

Investor's Asia			
Exchange	Index	Friday Close	Prev. Close
Hong Kong Hang Seng	7,287.91	7,447.24	-0.68
Singapore Straits Times	1,805.34	1,895.91	+1.03
Tokyo Nikkei 225	1,760.40	1,748.10	+0.66
Sydney All Ordinaries	20,843.88	20,852.63	-0.04
Kuala Lumpur Composite	735.25	736.07	-0.11
Bangkok SET	826.03	825.89	+1.23
Seoul Composite Stock	Closed	737.22	
Taipei Weighted Price	4,356.10	4,209.95	+3.47
Manila Composite	1,587.48	1,608.03	-0.72
Jakarta Stock Index	337.37	333.92	+1.03
New Zealand NZSE-40	1,850.16	1,842.42	+0.44
Bombay National Index	1,007.40	1,022.80	-2.47

Very briefly:

- Broken Hill Pty. sold its entire 23 percent holding in Newcrest Mining Ltd., Australia's second-largest gold producer, to local and overseas institutions for a total of 729 million Australian dollars (\$518 million).
- The Civil Aviation Administration of China will scrap its socialist system of requiring letters of introduction from Chinese passengers before they are allowed to buy internal air tickets, the People's Daily said.
- Shanghai has opened an oil exchange, the second in China after one in Nanjing, with China National Petroleum Corp. and China Petrochemical Corp. among its members.
- Hong Kong's government estimated that inflation-adjusted gross domestic product grew at a rate of between 5 percent and 5.5 percent in the first quarter of the year after a 5.1 percent rate in the last quarter of 1992. (Reuters, AFP)

TRADE: A U.S. Shift on Japan

(Continued from first finance page)

drafting agreements that would satisfy both sides. Foreign Ministry officials said Thursday that they still saw ample room for discussion.

The talks, agreed to by Mr. Clinton and Prime Minister Kiichi Miyazawa in April, are scheduled to begin in earnest in early June and end before the Group of Seven meeting.

Despite the apparently firm Japanese position, some American officials said they saw an opportunity to wrest concessions from Tokyo because Japanese officials were usually eager to minimize foreign disapproval when the world's spotlight was turned on them, such as at the G-7 meeting.

Under the new approach coun-

ted by administration officials, the United States might press Japan to increase imports of certain goods by a specific amount, but those additional imports would not have to come from the United States.

"They won't be able to use the excuse that we're not going to import more widgets, because the widgets made in the United States aren't as good as those made in Japan," one official said. "Under this policy, Japan could always buy widgets from other countries."

American officials said all countries would benefit if Washington succeeded in its goal of pressing Japan to reduce its current-account surplus to less than 2 percent of gross domestic product; it is now running at nearly 4 percent.

CARS: High Yen, Low Sales Hurt

(Continued from first finance page)

the yen's rise is making U.S. autos more price-competitive.

Combined, these pressures are taking their toll. Mazda said that its pretax profit slid 68 percent to 6.24 billion yen in the year that ended March 31. And the yen's upward turn will probably result in a 12 billion yen pretax loss for this year, according to a Mazda spokesman, Bob Imanoto.

The news was no better at Mitsubishi Motors. It posted a 7.9 percent drop in pretax profit to 46.6 billion yen for the first year-on-year profit decline in five years. In the coming year, Mitsubishi expects pretax profit to rebound slightly to 48.5 billion yen.

New Zealand Apples for Japan

(The Associated Press)

TOKYO — After 20 years of trying to get Japan to accept its apples, New Zealand has finally been given a date for when it can start selling them: June 1.

Japan already accepts apples from South Korea, a major producer, but an Agriculture Ministry order issued Friday makes the first time Japan will lift the apple ban for a major world producer.

The Japanese apple market was supposedly opened in 1971, but Japan required strict and expensive measures to keep the fruit free of blights and pests that have not shown up yet in Japanese orchards.

According to Neil McLeod, a New Zealand Embassy official, New Zealand has always been technically capable of meeting the requirements. But growers did not want to make a heavy investment in new procedures because Japan refused to guarantee that going to all the trouble would result in the apples being eligible. As for U.S. apples, they are shipped year-round from

huge cold-storage warehouses and are very competitive with Japanese-grown fruit harvested mainly in the fall, said Kent Nelson, trade director of the Washington state Department of Agriculture in Tokyo.

That worries Japanese farmers, who say apple growers would be ruined and consumers put at risk by large-scale apple imports.

"The Agriculture Ministry has pushed through this lifting of the New Zealand ban without listening to the sincere demands of consumers and fruit growers," said a statement Friday by a local agricultural committee in Nagano, central Japan.

American apple growers now plan to argue that they can meet all Japan's demands just as well as New Zealand.

"Mr. Nelson said U.S. producers were telling Japan: 'Listen, we have jumped through all the technical hoops and we would like to begin sales. We've done what you told us to do and now we will be very frustrated if we can't have access to the market.'"

7 Trust Banks Skid in Japan

(Agence France-Presse)

TOKYO — Japan's seven trust banks announced Friday an average 27 percent decline in pretax earnings in the year that ended in March and predicted more troubles this year.

The falls in earnings were generally smaller than those suffered by other Japanese banks. The country's 11 city banks saw profit decline on average by a third.

In addition to mounting provisions for nonperforming loans, which amounted to 2.5 trillion (\$23 billion), the trust banks cited losses from stock sales and poor commissions.

HOLIDAY RENTALS

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FIRST COLUMN

Screw Loose In Global Fund System

HERE is this column's entry for Dumb Question of the Year: Where do you expect to see your name when the company that handles your investments writes to you? On the company's notepaper, of course, but exactly whereabouts on the page?

That ought to sound mind-bogglingly trivial. It is. But then so was the 40-cent screw that held up a U.S. space shuttle flight. It cost millions of dollars, caused major delays, and made a lot of high-powered, well-paid people look and feel very small.

Right now, the world mutual fund industry is grappling with several handfuls of 40-cent screws. And it seems like it doesn't know where to put them.

But let's leave the trivia for a moment and concentrate on the economic data.

The theory is that investment is becoming more international, that the world's investors are increasingly interested in committing money to securities outside national borders. Often, they will use vehicles domiciled in a different country from the one in which they are investing.

The balance of evidence indicates that this is what is actually happening. The U.S. Securities Industry Association's figures for capital flow show a high and increasing level of commitment by U.S. investors to markets outside the United States. Asian investors are responding to the opening up of markets such as Indonesia and Taiwan; Japanese investors show distinct signs of abandoning provincialism. The Europeans have their single market. Even in its broadly unimplemented form it is considerably ahead of the desire to invest internationally, yet internationalism is on the increase among European investors, too, according to recent figures from the mutual fund arm of Deutsche Bank.

But the nuts and bolts — or screws — of international investing are still far from in place. Those who administer funds are being slowly driven to distraction by the different expectations and social conventions of investors around the world. They expect a different type, layout and frequency of report. And where you see your name, and whether you are addressed as sir, gospodin, monsieur or herr doktor, really matters.

Vienna's Bourse Seeks Second Wind After the Euphoria

By Philip Crawford

NEXT door to its bigger brothers in the European Community, nestled amid Europe's three newest bourses — Warsaw, Budapest, and Beijing Prague — the Vienna Stock Exchange appears locked in a struggle to find its own niche within the global investment community.

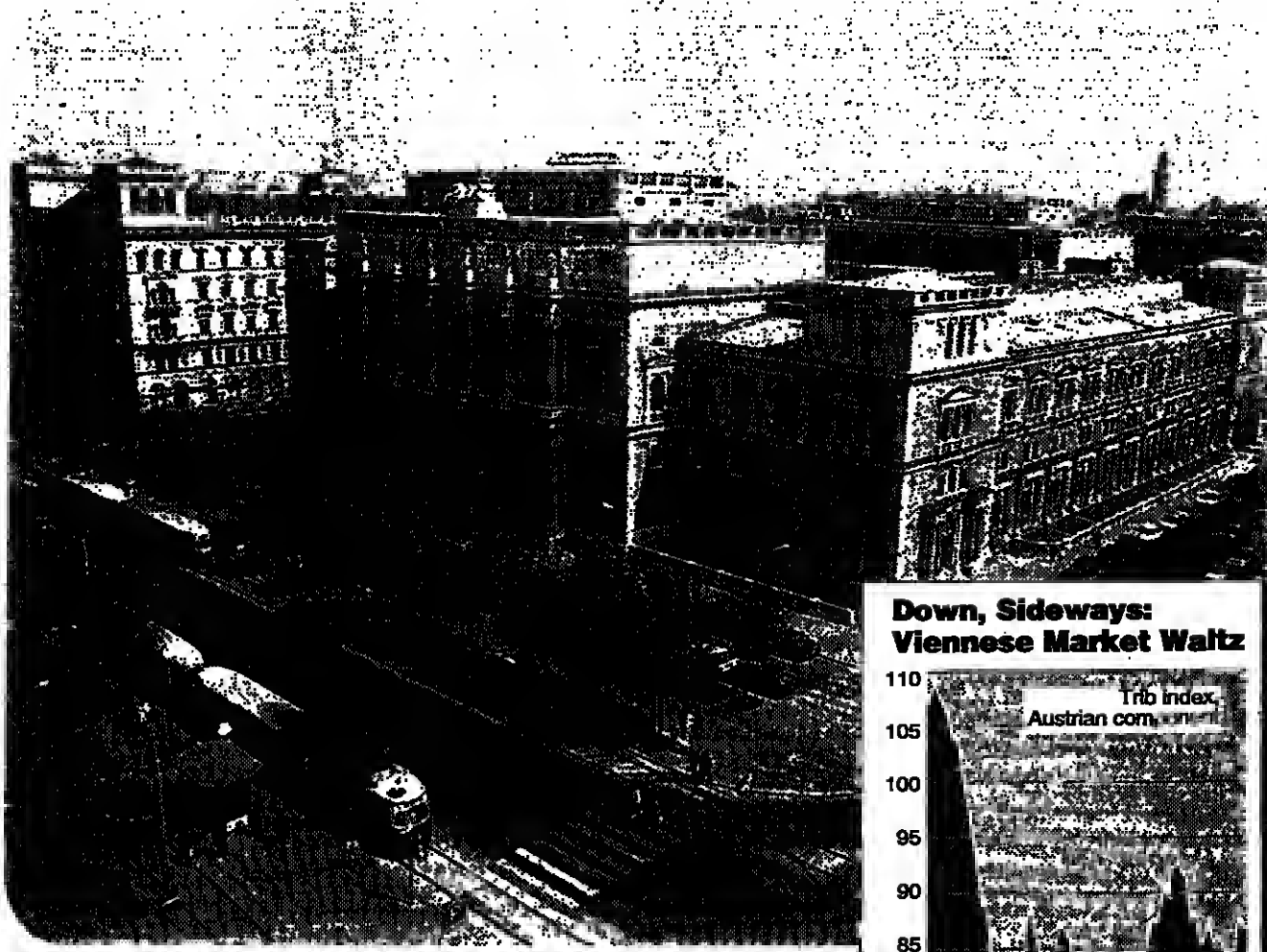
Hardly an emerging market, having been founded in 1771 during the reign of Hapsburg monarch Maria Theresa, it is clearly not in the first tier of international bourses. Moreover, its lack of large multinational corporations seems to disqualify it from even the secondary market status of an Amsterdam or a Milan, where giants such as Philips N.V. and Fiat SpA lend international prestige. On the other hand, say those bullish on Austria, amid the 110 companies listed on the Wiener Börse are sleepers such as engineering firm Maschinenfabrik Heid AG and paper products concern SCA Leckirchen AG, largely unknown outside of Austria, whose performances of late would raise the eyebrows of the most parochial Western investor.

Some analysts say that Vienna needs to get its act together, that trading procedures are not up to international standards and that reliable information on companies is hard to come by. Others, however, counter that the old problems behind such allegations have been solved, and that new efforts to attract both domestic and international investors, plus hoped-for EC membership by 1995, should provide the Austrian market with the impetus it needs.

"It will take a concerted effort to get the private investor back after the market corrections that followed the good years of the late '80s," said Marko Musulin, director of securities and investment banking at Creditanstalt Bankverein, Austria's largest bank. "And it's an illusion to think you can bring them in one by one. But we're making efforts."

A current look at the Austrian market reveals one that is tightly linked, for better or worse, to those of its neighbors. The gold rush into newly opened Eastern Europe several years ago carried Vienna on the crest of its wave, as the Old World cultural capital was seen as a new gateway, much as Hong Kong was at the same time becoming a springboard into China. As the Vienna bourse shattered record after record, pundits likened Austria to Sleeping Beauty being kissed awake.

"The changes in our neighboring countries and the fall of the Berlin Wall changed our whole situation," said Ulrich Kamp,



The Viennese Bourse lies between the EC and Eastern Europe.

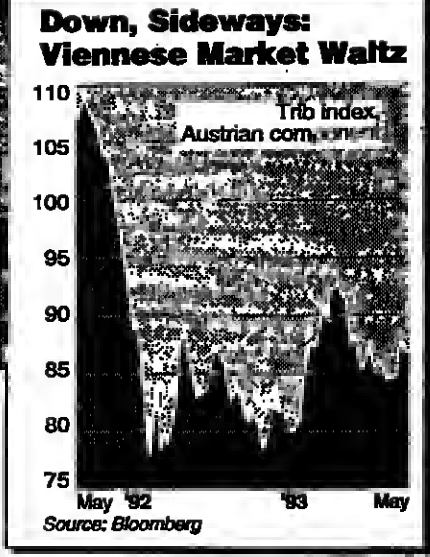
deputy secretary-general of the Vienna Stock Exchange. "Suddenly, we were in the middle of the new Europe, and people were caught up in a kind of euphoria. It was an overwhelming, exciting time, and we were very optimistic."

But the growing pains of the emerging Eastern-bloc markets and Germany's plummet dragged the dew-eyed princess down with it. The same investors who had wandered out of the woods to jump on the bandwagon bid a hasty retreat. "The problem," added Mr. Kamp, "was that we were too optimistic. It turned out to be much more difficult than anyone had foreseen to change centrally planned economies to free-market economies."

Indeed, the economic woes in Germany

precipitated by the unification process hit Austria particularly hard. Germany represents both the largest import and export market for its smaller neighbor, and provides roughly 60 percent of its vital tourist trade. "Austria has gained from the stability of Germany in the past, and has suffered along with the problems associated with unification," said Heinz Handler, an officer of the semi-official Austrian Institute of Economic Research. "But I do think that much of the bad times are behind us."

Mr. Handler said that Austria's gross domestic product, a measure of the total goods and services produced by an economy excluding revenue from foreign investments, should be relatively flat this year, but that growth of 2 percent in 1994 is a reasonable expectation. Ironically, one of the roadblocks to renewed growth has been put in place by those who had so much to do with past glories.



"Our Eastern neighbors are now competitors," said Mr. Handler. "Since the cost of labor in the Poland, Eastern Germany, Hungary, and the Czech and Slovak republics ranges from 10 percent to 20 percent of that in Austria, some companies have closed plants here and moved east. The danger of cheap imports is so high that protectionist sentiment here is becoming more and more pronounced. There's a lot of pressure on politicians to adopt quantitative restrictions."

Such realities have taken their toll on the Vienna Bourse, whose market capital is currently valued at 238 billion Austrian shillings

(\$20.7 billion). The Vienna Stock Exchange Share Index (WBKI) fell almost 17 percent in 1992, to 348.46. So far this year, it is up 4 percent to about 365, lagging behind most major indices. The Austrian component of the International Herald Tribune World Stock Index is up 7 percent since the first of the year.

Though a far cry from its WBKI apex of 739.21 in March of 1990, the Vienna Bourse is still home to some companies that are delivering stellar returns. During March alone, Maschinenfabrik Heid's share price grew 30 percent, while SCA Leckirchen's rose 28 percent. The best performers of 1992 were the insurance concern Anglo-Elementar Versicherung, up 28 percent, and food manufacturer Leopold-Lundenburger Industrie AG, up 22 percent. Shares in most WBKI companies can be acquired by private investors through international brokers.

Indeed, it is the retail investor that officials in Vienna are pursuing, since institutions, about half of which are foreign, comprise the vast majority of Austrian market investors. A mere 4 percent of Austrian private citizens are shareholders, and of those, 30 percent own just one share and only 10 percent own more than 10 shares, according to the bourse. A recent survey, however, indicated that 12 percent of Austrian citizens are interested in becoming shareholders, which indicates, says Mr. Kamp, that the public relations efforts of the stock exchange are succeeding.

Some analysts, however, are decidedly unimpressed. "We think there's a lot of room for improvement in Vienna," said Jürgen Müller, who follows the Austrian market for the Swiss private banking firm Lombard, Odier & Cie, in Geneva. "They're in the process of pulling some things together, but they're still not up to international standards. For one thing, if you want to know about Austrian companies, you've got to do all your own homework, because there's just no reliable information."

Mr. Kamp, however, acknowledging that problems do persist — market liquidity is slow, for example, which particularly hurts efforts to bring in the foreign retail investor — said Austrian companies are making a concerted effort to be more open and to publish reports more often. "They realize that they must do this in order to attract international investors," he said.

Mr. Musulin, taking the long view, said the slow process of cultural change is at the heart of Austria's future as a financial center. "We're not behind in standards, ethics, systems, or professional expertise," he said.

"What we lack is the solid investment structure that's inherent in the shareholding culture. The traditional roles of private investors as long-term shareholders, banks as market-makers, and institutions as providers of liquidity have not yet been established here. We've laid the groundwork. Now we need a better overall economy."

Choice of the Hops: Investing in Beer

By Ann Brocklehurst

P ERHAPS no true beer lover would rank American Budweiser higher than the Netherlands' Heineken in a taste test. But when it comes to rating beer stocks, brewing industry analysts believe that "Bud's" maker, Anheuser-Busch Co. Inc., is on a par with, if not better than, Heineken NV.

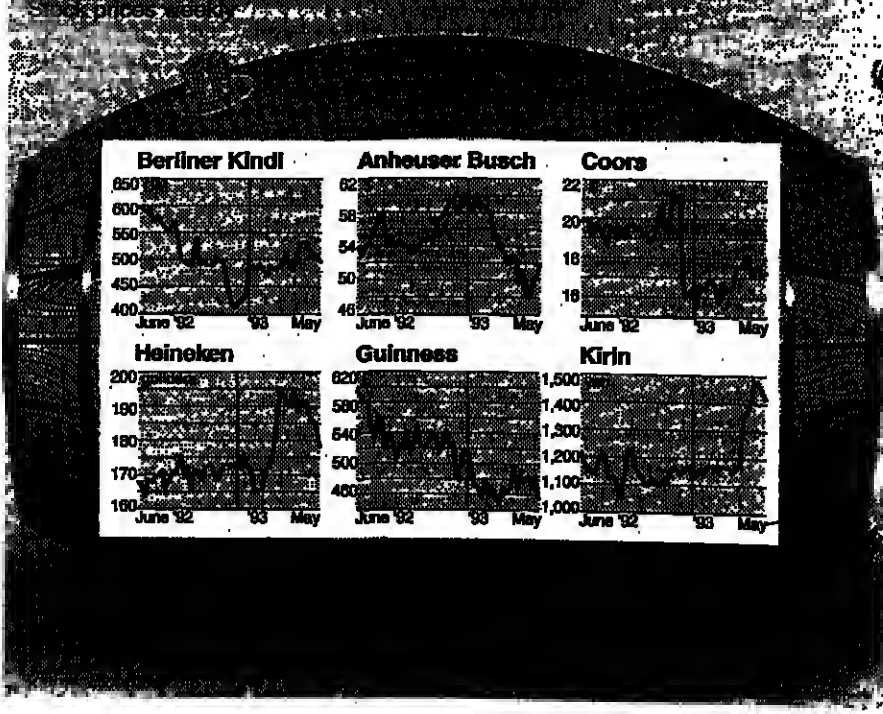
Anheuser, the world's largest brewer, and Heineken, half its size and No. 2, are among the few beer stocks currently recommended for investment. Both companies are a major force in the growing beer markets of Asia and Latin America. And they also remain competitive in the traditional beer-drinking countries of North America and Europe where beer sales are often flat or dropping.

"The best brewing stock in the world, without doubt, is Anheuser-Busch," said Ron Littleboy, a London-based director of Nomura Research Institute, Europe. "If you can half believe their view, they're going to increase earnings 10 percent per annum. I can't see anything else like that." Mr. Littleboy likes Anheuser, whose shares have been in something of a slump for the past five months, for its good management, financial controls, sound international expansion policy and its dominance of the U.S. market where Budweiser has a 44 percent share it aims to increase to 50 percent.

UBS Securities in New York has a "buy" on Anheuser, the only U.S. brewer it is recommending. "What I like best about it is that everything's going wrong," said Anton Brenner, research department vice president. "Consumption [in the U.S.] is not increasing. There are pricing difficulties. The sales mix is worsening, and the non-beer businesses are doing badly. And despite all that, they will still come in with a 10 percent increase in earnings." Beyond 1993, he is forecasting earnings growth of 12 percent.

Mr. Brenner describes Anheuser's current share price valuation as "very reasonable" and says investors will benefit from company repurchases of its own stock and new international joint ventures in fast growing markets. This year, Anheuser has signed a sales agreement in Japan with the country's largest brewer, Kirin Brewery Co. Ltd., and bought an 18 percent stake in Mexico's Group Modelo, makers of Corona.

In traditional markets, where imported and specialty beers are capturing more sales, brewers are aggressively pursuing customers who, although they are drinking less, are willing to pay extra for a more flavorful beer or one with an exotic name. Heineken, the top imported beer in the United States, fills both those criteria. Analysts consider it the best of the lackluster European brewing stocks, thanks to its long exporting history, its conservative financial position and its presence in the few European markets still growing.



petition and weakness in the European economies, but many analysts see it as undervalued and a good longer-term buy.

While Germany's reputation as a great place to drink beer remains intact, it has also earned notoriety as a terrible place to invest in — at least in the public sector. German beer stocks are often little-traded holding companies for groups of breweries or conglomerates with property and mineral water businesses. Spoiled by catering to the world's biggest beer drinkers, German brewers have never been especially competitive either at home or abroad and are feeling the pinch now that national consumption is finally leveling off.

The industry has also been shaken up by several private, mostly northern German beer companies, who have grabbed precious market share with their higher priced premium products. One of them, Warsteiner, has become, along with Beck's, another private concern, the only other beer that can seriously lay claim to being a German national brand.

"Warsteiner has come from nowhere to be Europe's fourth biggest brand in 1992 — bigger than Guinness and probably twice the size of (Beck's) Carling Black Label," wrote Mr. Wakely and Christopher Wiseman of Lehman Brothers in a report on the European beer business. "This clearly shows that in a declining or mature beer market there are most definitely winners and losers."

The report suggests that Warsteiner and other newly popular German brands like Jever and Velinus will soon outgrow their domestic market and try to push into Britain. Europe's second biggest beer market shrank by 3.1 percent last year due to high prices and the weak economy, but the import content grew. With these trends expected to continue, most analysts do not recommend investment in any U.K. companies with the possible exception of Guinness, which they

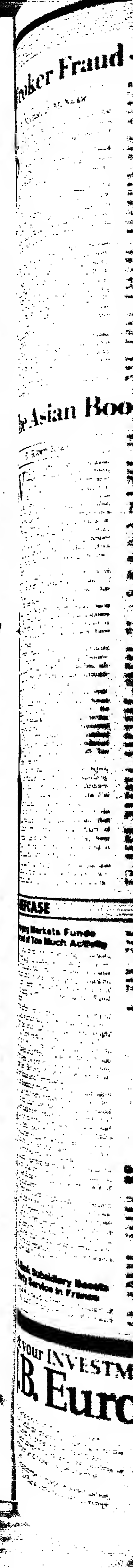
say is strengthened by its spirits business as well as its presence in the Far East.

Of the remunerative Asian markets, China is being talked up as possibly beer's last great frontier. Investors will soon have direct access to that market, which has grown at an average of 16 percent annually in recent years. The Qingdao Brewery Co., which uses an old German recipe to make the Tsingtao beer ubiquitous in Chinese restaurants around the world, will issue shares and list in Hong Kong and Shanghai by the end of June. Asia-based analysts regard its growth prospects as solid.

Another Australian company provoking interest is Lion Nathan Ltd. of New Zealand. After moving into Australia and acquiring Australian brands like "Castlemaine XXXX," known in beer-drinking slang as "Four-X," it has just signed a marketing agreement with Adolph Coors Co. of Colorado that will get its products onto the important U.S. specialty market. Analysts warn, however, that while Lion Nathan may look like an up-and-comer, its acquisitions may have left it with more debt than desirable.

Locals and foreigners alike have been attracted by the investment potential of the Czech Republic's breweries, with their reputation of producing high quality beer. Pilsen Brewery's Pilsener Urquell has been called the best beer in the world and could easily use its celebrity to expand its export business. In last year's national privatization program, Czech investors snapped up its stocks, and those of the other major brewers. Foreigners must now negotiate with the new owners to buy the minority holdings allowed by the government. Anheuser particularly wants a deal with Budvar, a Czech brewer with a premium brand also called Budweiser (Budvar is called Budweiser in Germany), since Budvar's copyright on the name is blocking Anheuser's expansion into several European markets.

THE FIRST IHT/IFI CONFERENCE ON GLOBAL FUND MANAGEMENT WHICH WAY ARE THE MARKETS MOVING? THE EXPERTS FROM AROUND THE WORLD DEBATE THE TRENDS ON JUNE 9 & 10, 1993 AT HYATT CARLTON TOWER, LONDON. SPECIAL KEYNOTE ADDRESS: Sir Alan Walters, Vice Chairman, AIG Trading Corp., Washington, D.C., and former Chief Economic Adviser to the then U.K. Prime Minister Margaret Thatcher. MONETARY STABILITY IN EUROPE - VISIONS OR ILLUSIONS? Otmaz Issing, Member of the Board, Deutsche Bundesbank, and Member of the Central Bank Council, Frankfurt. THE POLITICAL DIMENSION: Dangers and Opportunities in The World Disorder. Anthony Sampson, Journalist and International Writer. WHAT IS THE FUTURE OF GLOBAL INVESTING? Global Asset Allocation Strategies Of The Future. Malcolm Mitchell, Senior Consultant, InterSec. THE PENSION FUND PERSPECTIVE: Peter Demick, Deputy Executive Director, PKA Pension Funds, Copenhagen. THE BOND SESSION: John Lipky, Chief Economist, Salomon Brothers, New York. Axel-Gunter Banker, Managing Director, D.W.S., Frankfurt. Sandra Curtis, Head of Fixed Income, Credit Suisse Asset Management, London. Patrick Dempsey, Managing Director, Dempsey & Co. International, London. Gordon Johns, Managing Director, Kemper Investment Management, London. Gary Krebs, Chief Investment Officer, Global Fixed Income, G.T., San Francisco. THE CURRENCY SESSION: Irwin Berger, Director of Trading, Sjo Inc., Chicago. Howard Flight, Joint Managing Director, Guinness Flight, London. Lawrence Hite, Managing Director and Founding Partner, Mint Investment Management, New Jersey. Andrew Hornig, Head of the Strategy and Currency Group, Citibank, London. Ross Jackson, Founder & Chief Executive, Galacorp, Denmark. THE EQUITY SESSION: Alan Albert, Managing Director, Merrill Lynch Asset Management, London. Nicholas Knight, Head of Global Equity Strategy, Nomura, London. Ranjan Pal, Director and Regional Economist, Jardine Fleming Broking Ltd., Hong Kong. Henry Thornton, Investment Director, Credit Lyonnais International Asset Management, Hong Kong. Audley Twiston Davies, Managing Director, Latin American Securities, London. Beat Wittmann, Head of European Equities, U.B.S. Asset Management, Zurich. The equity session will also be addressed by a major U.S. fund manager. GERMAN CRISIS: MILESTONE FOR EUROPEAN RECOVERY? Norbert Walter, Chief Economist, Deutsche Bank, Frankfurt. The cocktail reception on the evening of June 9 is being hosted by Merrill Lynch Asset Management U.K. REGISTRATION INFORMATION: The fee for the conference is £265 plus VAT at 17.5%. This includes lunch on both days, the cocktail reception on June 9 and all conference documentation. Fees are payable in advance and will be refunded less a £75 cancellation charge for any cancellation received in writing on or before June 1, after which time we regret there can be no refund. Substitutions, however, may be made at any time. CONFERENCE LOCATION: Hyatt Carlton Tower, Cockspur Place, London SW1. Tel: (44 71) 235 5411. Fax: (44 71) 245 0570. To reserve accommodation at a preferential rate, please contact the reservations department at the Hyatt Carlton Tower no later than June 1, notifying the hotel that your booking is in connection with the IHT conference. REGISTRATION FORM: To register for the conference, please complete the form below and send it to: Brenda Hagerly, International Herald Tribune, 63 Long Acre, London WC2E 9JH, England. Tel: (44 71) 836 4802 Fax: (44 71) 836 0717. [Form fields for Name, Title, Position, Company, Address, City, Country, Telephone, Fax, and checkboxes for enclosed check and please invoice.]



THE MONEY REPORT

Broker Fraud — 'Sophisticated' Investors Thought It Couldn't Happen to Them

By Michael D. McNickle

SOMEONE wants your money. He will lie, cheat and steal to get it. He is an investor's worst nightmare, a crooked broker.

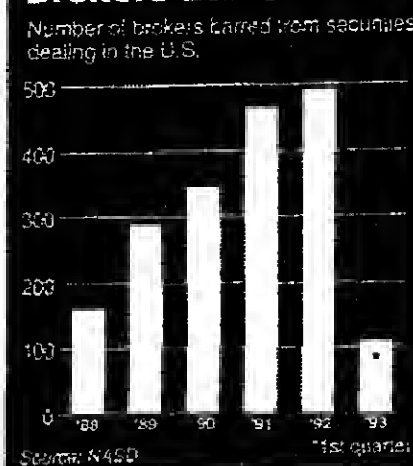
those selling stocks. Agencies like the U.S. Commodity Futures Trading Commission and other regulatory bodies continue to combat an increasingly international group of shady investment professionals.

honest, legitimate representatives. But other solicitations will be made by brokers with a different agenda.

sales pitches that intimate the broker has an inside track on an investment — "any time you hear 'big investors coming in' or 'I talked with some people in my other office.'"

the Times, there's a good chance that it ain't really happening," he said.

Brokers Bared



There is another reason to meet the broker face-to-face. Carl Castagna, director of Cornell's Manhattan substance abuse center, who has treated stockbrokers with drug problems, says the "incidence of drug use is higher in high-pressure and high-income" jobs.

Some Measures to Avoid the Golden Fleece

Here are some suggestions offered by regulators and fraud experts on how to avoid being taken in by a shady broker:

- Back up your brokerage account application with a letter detailing your investment goals and objectives. Keep a copy of the letter.
• Beware of brokers who use high pressure or unusual sales tactics. Likewise, exercise caution when offered exotic instruments that may have complex hidden risks.

The Asian Boom: Too Much Optimism?

By Rupert Bruce

WHEN Foster, the Australian brewer, revealed plans to build a series of joint-venture breweries in China earlier this month, the company predicted that the Chinese would be swilling more beer than any other nationality by the year 2000.

regional trade, and the manufacturing revolution in China.

There has been an enormous growth in intraregional trade as the more expensive economies have become service centers to the cheaper ones.

of an international fund he runs in the region. A neutral stance would dictate allocating only 5 percent. But then, he said, "It is an aggressively managed fund."

OTHERS, of course, disagree and there is a debate raging as to whether the stock markets are about to break out of their traditional valuation bands.

Best Performing South Asia Funds

Table with columns: Fund, Performance (Over one year to May 24, 1993), and Performance (Over three years to May 24, 1993). Lists various funds like JF Far Eastern Warrants, JF Far East Growth, etc.

Detecting Gimmicks In Company Reports

Investor's Guide Details 'Financial Shenanigans'

By Robert C. Siner

WITH so many perennial blue chip companies turning up in the red, how can an investor read between the lines of often glowing financial reports to determine the true financial position of a company before making an investment?

BRIEFCASE

Emerging Markets Funds Warned of Too Much Activity

For fund investors, emerging markets have been a good thing, according to a recently published half-yearly review of Latin American and global emerging markets funds.

Deutsche Bank Launches Short-Term Fund in Marks

Deutsche Bank Investment Management (DBIM), the Luxembourg-based mutual fund arm of the giant German bank, has launched a new fund designed to "take advantage of exchange rate movements on the foreign exchange markets."

New Paris Book Edition Lists English-Speaking Services

Frank Books, a Paris-based publisher, has released a third edition of "Paris Anglophone," a 224-page directory of service providers in the French capital that conduct business in English as well as in French.

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U.K. Bank Subsidiary Boosts Property Service in France

Banque Woolwich, a French subsidiary of the U.K. thrift institution, the Woolwich Building Society, has extended its property buying service for investors wishing to buy in France.

NM Financial Management Drops Debt-Market Charge

NM Financial Management Ltd., a U.K. mutual fund firm, has dropped its initial charge of 5.75 percent on its Gift and Fixed Interest Fund.

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JYSKE BANK

THE MONEY REPORT

Channel Isles Follow Talks On EC Rules Community Seeks Plan To Harmonize Policy On Depositor Protection

By Conrad de Aenlle

BOTH of the main Channel Islands are taking a wait-and-see attitude as the European Community goes through the throes of discussing and implementing a harmonized protection plan for bank depositors.

"Neither of us has a deposit protection scheme, mainly because we only allow branches or subsidiaries of major international banks to operate in our territory," said Peter Crook, superintendent of banks for the Guernsey Financial Services Commission.

"This matter is very much on the table, and we're looking to see what developments happen in the EC," said Richard Syvret, director of the Jersey Financial Services Department.

"We keep abreast of what happens and adopt local legislation if it's suitable. We have no obligation to do so, but do it only if it's good from the point of view of our depositors."

One reason depositor protection plans may not do clients much good in the Channel Islands is that they are generally better off than most European bank account holders and so would receive relatively little protection.

"The sort of customers we have in offshore territories like Jersey and Guernsey are fairly wealthy individuals," Mr. Crook said. "They look for a secure bank rather than a protection scheme."

Should the EC implement a protection plan, "we would watch it, and if we found it was doing us harm, we would probably have to react," he said.

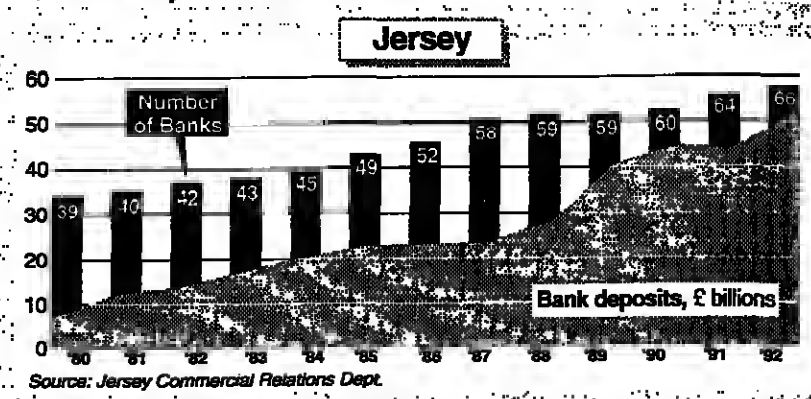
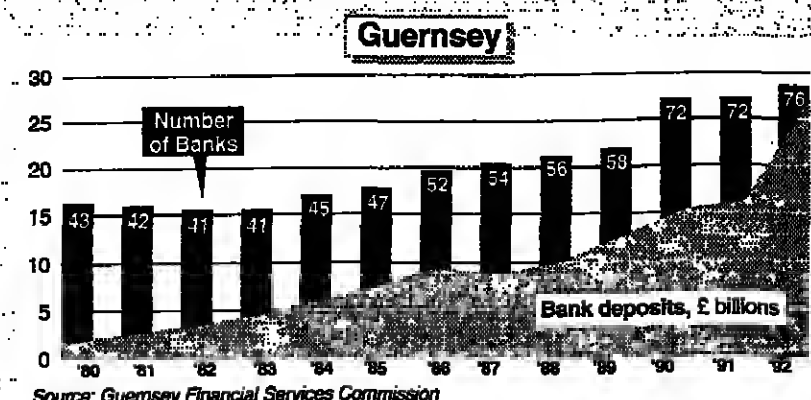
It might become necessary, he said, should banks come to regulators and tell them they are losing business because of the absence of deposit protection.

"We can do it if we need to for competitive reasons," he said, "which means that if Jersey offers one, so would we."

The two islands pretty much do have matching financial regulation regimes, which follow those in Europe, especially Britain. For instance, while neither of them offers direct protection of bank deposits, both have laws, modeled on the British system, protecting fund investors from fraud.

Investors in Jersey are reimbursed all of the first £30,000, or \$45,000, they may lose.

Channel Islands Bank Deposits



Sources: Guernsey Financial Services Commission; Jersey Commercial Relations Dept.

and 90 percent of the next £20,000. After that, though, they're on their own.

Apart from the absence of a bank depositor protection plan, Guernsey and Jersey law do not diverge in any substantial way from the regulatory framework in place in European financial centers.

"Generally speaking, it's true" that Channel Islands regulators take their lead from their EC counterparts, said Mr. Syvret. "We are certainly following the EC with regard to money laundering and drug-trafficking offenses."

To that end, Jersey on Feb. 1 implemented new banking rules, and a similar set of regulations is making its way through the Guernsey legislature.

The laws are being introduced as the EC Money Laundering Directive makes its way into British law through a number of legal and regulatory channels.

The Jersey initiative, Mr. Syvret explained, "is a law that seeks to improve banking supervision on the island. It brings it very up-to-date, including the latest international thinking on banking supervision. It homes in particularly on the owners and controllers of banks."

The law requires annual registration, enhances officials' ability to investigate banking activity and allows authorities to get regular information from banks on financial soundness.

"It just provides a better method of doing what we've been doing all along," he said. "It gives it a better legislative base."

Mr. Crook calls Guernsey's law "very well advanced. It will be a law very similar to the one operational in the U.K." Turning briefly to the role of pitchman, he pointed out that "nothing untoward has happened that would

warrant a new law." He said: "We just want to be modern and up-to-date. Our standards are higher than the rest of Europe. On the whole, our banks are strong."

He added that as of the start of this year, banks are required to maintain a risk asset ratio — a measure of safety that represents capital as a function of bank assets put at risk — of 10 percent, compared with 8 percent in the rest of Europe. Jersey demands the same ratio.

Although the law did not go into effect until January, he said, all banks on the island have been in compliance for a year and a half, mainly because nearly 90 percent of deposits are kept in cash instruments. "We're a very low-risk center in that respect," he said.

Regulators on both islands say little has changed in recent months on the investment fund side of the financial services business. "I don't think there's been anything that grabs me as a big change," said Nigel Taylor, superintendent of investment business on Guernsey. He did note that Irish regulators have recognized Guernsey, meaning funds registered on the island are eligible to be marketed in Ireland.

The only other EC country to recognize Guernsey funds is Britain. Those same two also recognize Jersey funds. Of course, that leaves 10 EC countries that do not automatically allow marketing of Channel Islands funds, but Mr. Taylor says that is not much of a hindrance to local fund companies.

He notes that, in theory, funds within the EC have unfettered access to each member state through the directive on Undertakings for Collective Investment in Transferable Securities. In practice, though, it has not worked out that way.

Artful Structuring of an Offshore Trust

By Samuel H. Okoshken

TO MANY people, especially Americans, the mere mention of the term "offshore trust" conjures conflicting images of pots of gold and prison cells. Although there is little doubt that offshore entities, such as trusts and limited liability companies, are sometimes used for nefarious ends, it is no more accurate to characterize them as tax evasion vehicles than it is to characterize sailing vessels as pirate ships.

Nonetheless, in most developed countries, the taxman takes a dim view of offshore transactions, and the network of tax laws affecting them makes restraint and artful planning essential.

A few simplified examples will illustrate their use.

• A Japanese national purchases a major car dealership in the United States and is planning a permanent move there. He already has a large Asian and European stock portfolio as well as several million dollars in other liquid investments outside the United States. He would like to minimize U.S. estate tax, but does not wish to give his property outright now to his children. Also, he may need some of his capital in his U.S. business.

• A Spaniard, working on a long-term contract in the Gulf, considers acquiring a U.S. stock portfolio and wishes to avoid U.S. estate tax on his investments while earmarking the U.S. investment as a legacy for his children and grandchildren.

• A French businessman, who is presently a U.S. resident alien, is about to return to France for his retirement. He wants to disinherit one of his children. (French law guarantees to each of his children a specific percentage of his estate at his death.)

• An American portfolio manager, specializing in high-risk investments, is fearful that the litigious climate in America may one day threaten her personal savings. She seeks protection from this risk.

What do the Japanese, the Spaniard, the Frenchman and the American have in common? All might benefit from a trust created in the Channel Islands or in another "offshore" jurisdiction.

The Japanese becomes settlor of two or more discretionary offshore trusts for the benefit of his children. If carefully drafted, he can avoid income tax on the trust income while using it as a source of loans to his U.S. business; he can also avoid U.S. withholding tax on loan interest payments back to the trust. The trust fund can also be a source of additional equity investment in his U.S. business affairs. Another trust could be used to accumulate income for his children and make distributions to the children, which would be taxable in the United States only if the children were then U.S. residents or citizens. There should be no U.S. estate tax on any of the trusts. His "letter of wishes" to the trustees, and the "protector" appointed by him (both discussed below) will help realize his goals. The services of an independent lawyer is essential every step of the way.

The Spaniard, whose U.S. investment is not protected from U.S. estate tax by treaty, creates a Guernsey trust that, in turn, owns a Guernsey limited company. That company will hold the U.S. portfolio. The Spaniard's portfolio will not be taxable in the United States at his death. The trust will be structured to provide for the Spaniard's family

after his death, according to his wishes. (Under current Spanish law, the settlor may encounter local problems should he return to live in Spain.)

The Frenchman creates an offshore trust in a jurisdiction where a settlor may choose the law that will govern the trust. Properly structured, the trust should be able to withstand an attack by an aggrieved heir based on his rights under French inheritance law. Note that the creation of the offshore trust requires a touch of legerdemain, as it must not occur before he demonstrably surrenders his U.S. residence status nor after re-acquiring French residence status.

The American portfolio manager switches her personal account to an offshore discretionary trust in a jurisdiction that gives maximum protection against creditors of the settlor. She and her family are included in the class of discretionary beneficiaries of the trust. In most offshore centers that have dealt legislatively with this problem, an asset protection trust is relatively safe from creditors if there are no claims made against the settlor during the first two years of the trust's existence. The portfolio manager is taxable on all the income of the trust whether or not paid to her by the trustee. If properly structured, there is no gift tax on the creation of the trust, but its full value would be included in her estate.

The standard form of offshore trust is the discretionary trust. The settlor makes an irrevocable transfer to the trustee of the trust property, naming in the trust deed the specific beneficiaries or class of beneficiaries eligible to receive income and principal distributions. The settlor may be included among the eligible group. The settlor's intentions as to the disposition of the trust property is expressed in a nonbinding letter of wishes. Although that document has no legal force, the trustee rarely strays outside the settlor's chalk circle. The presence of a protector also keeps the trustees on their toes.

The following checklist highlights some features a would-be settlor should consider.

• Secrecy. The discretionary trust deed can be adapted for those who want secrecy. For example, the specific beneficiaries need not be identified by name. In the Channel Islands, a court will not require a trustee to open its books unless it is convinced that a serious offense has been committed by the settlor. Foreign tax officials have been known to abuse this protected ingress, but it is nonetheless carefully monitored.

• Flight clause. A properly drafted trust should contain a flight clause (also known as a "Cuba clause"), which, in effect, gives the trustee (and/or the protector) power to transfer control of the assets by rapidly relocating the trust to another legal jurisdiction and/or changing trustees. Political insurrection, proposed enactment of an income, gift or estate tax law in the trust jurisdiction, or menacing creditors are examples of when such a clause is activated.

• Trustee fees. This is an area where the

unwary may pay too high a price. Fees are normally set as a fixed percentage of underlying net asset value with additional fees charged for various acts, such as receiving and paying out income. A bank is particularly open to negotiation, as it wants additional revenue from its banking operations performed for the trust. Chargeable expenses, such as fees of outside lawyers and auditors, and trust termination fees, should be clearly agreed and written into the trust deed. Some price shopping by the potential settlor can be very helpful here.

• Investing the trust funds. Acting as trustee and investing the trust funds are distinct functions and should be viewed as such. Traditionally, a bank trustee automatically serves as portfolio manager. This need not be the case. The settlor may prefer his personal portfolio manager or some other institution, such as a trust company, to perform that role. This point should be discussed and accounted for in the trust document or expressly dealt with in some other way. A trust company is often associated with qualified attorneys and accountants who can add an important dimension to its available services.

• Exculpation clause. In any serious law regulating trusts, a trustee must be viewed with benign suspicion. This is only fair, as a trustee is sitting in a pivotal decision-making seat. His acts or failures to act can be costly for the trust fund. The legal standard of care placed on trustees in offshore jurisdictions varies, so the local law must be clearly understood and the level of the trustee's responsibility clearly identified.

• Internal regulation of the trust. As there is no official registration or policing of offshore trusts (as there are of corporations), an annual audit may be an attractive option. However, in practice most settlers prefer to avoid this cost. The protector's role may include overseeing some of the activities of the trustees with the discretion to demand an audit.

• The protector. In order to enjoy some of the benefits a discretionary trust offers, the link between the settlor's intention and his control over the trustees is moral only, expressed in his letter of wishes. This link is not forged in steel. The trustees may (although in practice, they rarely do) ignore the settlor's wishes. In any event, the letter of wishes is effective only until the settlor's death or incapacity. The missing link is the protector. He is appointed to protect the interests of the beneficiaries. His functions may be broad or circumscribed as the settlor originally sees fit to make them. For example, he may be given the power to remove the trustee under certain conditions, the power to authorize payments to beneficiaries or to add beneficiaries. The position may be filled by a trusted family friend or by professional protocols. The role of protector can be and often is the cornerstone of a discretionary trust.

• Term of the trust. The life of a trust used to be limited by the "rule against perpetuities," which was intended to prevent permanent alienation of property. Modern rules stand for a fixed term of years. In Guernsey, for example, the term is 100 years. The trust must terminate, but all the assets and income distributed to current beneficiaries.

• Samuel H. Okoshken is a Paris-based international tax lawyer with the firm Levine & Okoshken.

• Trustee fees. This is an area where the

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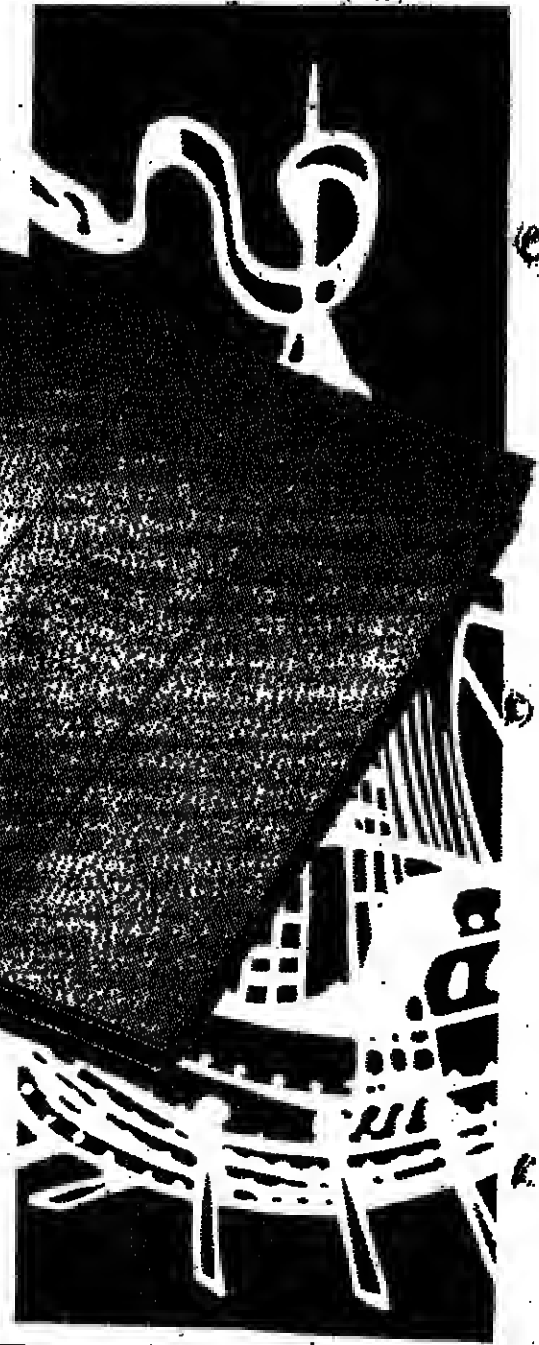
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NYSE

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Table with columns: 12 Month High/Low, Div, Yld, PE, High, Low, Last, Chg. Lists various stock prices and changes.

NYSE High-Lows

Table with columns: NEW HIGHS #, NEW LOWS #, and various stock symbols and prices.

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Quotations supplied by funds listed. Most asset value quotations are supplied by the Funds listed with the exception of some quotes based on issue prices.

Large table listing various international funds with columns for fund name, asset value, and other details.

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DAVE BARRY

There Goes the Groom

M IAMI — Wedding season is again upon us, and you brides-to-be are as busy as bees, finalizing arrangements for your dress, flowers, catering, clergyman, shower-curtain-pattern selection, eyebrow-tweezing appointment and the 17 million other details that make planning a modern wedding far more complex than building a space station. Meanwhile, you grooms, for your part, have been entrusted with the responsibility of locating a pair of dark socks.

the time they were aboard a cruise ship in the Atlantic Ocean. Fortunately, a waiter threw the bride a life preserver, and she was rescued. But imagine her embarrassment at being pulled from the sea wearing a drab, ill-fitting flotation device. Your well-prepared bride would have brought several of her own (pastels for daytime; darker solids for evening wear).

2. DO NOT INVITE CINDY SEIP TO YOUR WEDDING. Cindy is a friend of mine. Last year I wrote about a wedding she attended where a dispute erupted over the catering arrangements, culminating during the reception when the groom, in front of all the guests, threw the cake at the caterer.

My point is that you should cross Cindy off your guest list, because, the way things are going, the next wedding she attends will end with an Iraqi air strike.

So today I wish to present, as my special gift to you brides-to-be, the following Wedding Tips:

Anytime, I hope these tips are helpful, and I'm sure you're going to have a wonderful wedding day, from the moment you wake up to the moment, 45 seconds later, when you discover your huge new nose zit.

Vienna Festival: Much More than Waltzes

By John Rockwell New York Times Service

VIENNA — This city may still present to the world an archaic image of waltzes, whipped cream and intransigent conservatism in the arts and politics. But a lot of Viennese think differently. The annual Vienna Festival Weeks in May and June, for example, have become a hotbed of lively and experimental theater, dance and music, with funky performance sites and a flamboyantly attired audience to match.



A scene from "The Cave" at the Vienna Festival Weeks.

In the 1993 festival's opening week, two particularly striking efforts to rethink the very idea of opera were given their world premieres. "The Cave," an exploration of the legacy of the patriarch Abraham by the composer Steve Reich and the video artist Beryl Korot, will go to Berlin, Amsterdam, London, New York, Paris and Brussels.

Both works were received enthusiastically, although some people walked out. Each was three hours long, and "Zhiwago" was also performed in Russian without subtitles. And despite negative international press reports about unrepentant Nazis in Austria and Germany, Reich and Korot said they had enjoyed only friendly support in their three weeks of preparations and performances in Vienna.

Reich and Korot taped their talking heads in 1989. Reich took the audio material and fashioned a sequence. He then composed music that literally reflects and extends the speech patterns of those interviewed, taking note of values and rhythmic shape from the recorded words, and interweaves more freely composed passages. Korot worked from the musically determined sequence and created patterns of video images that are projected on five large video screens embedded in a vaguely portal-like setting (by John Arnone). She alternates the talking heads with sections of each image blown up into abstractions.

but by the fourth performance, four minutes had already been stripped from the first act, with more cuts to come. The third act, which everyone seems to like the best, is the shortest partly because Americans, less weighted down by Middle Eastern traditions, respond more playfully to the questions and are in turn treated more freely and succinctly by Reich and Korot, who are at least as American as they are Jewish. But they are now also ready to consider cuts because they have learned to be less self-conscious. "I wrote Act II like this," Reich explained, standing with his arms held stiffly by his sides, so concerned was he about offending anyone's sensibilities. Now, freed by their American act, they seem ready to streamline the first two.

"Zhiwago" is a collaboration between two men who have experienced tumultuous personal odysseys over the last decade. Lyubimov, who is 75, was stripped of his Soviet citizenship in 1984 and based himself thereafter mostly in Israel, directing operas in the West with mixed success. He has now reclaimed the Taganka Theater, which he founded in 1964, but only after a messy struggle with those who had replaced him.

Schmitke has been Russia's best-known vanguard composer for two decades, but has chosen to live in Hamburg, Germany. For the last four years and has had two serious strokes. On the surface, their "Zhiwago" is a far more conservative work than "The Cave." It is built on Lyubimov's lifelong practice, derived from Vsevolod Meyerhold in the 1920s and now widespread in Russia, of blending theater, music and dance into a seamless unity. Schmitke's music, some of it adapted from his older pieces, is filmic in its willingness to shift styles abruptly and to drop differentially into the background. Lyubimov's overall conception is to recreate key scenes from Pasternak's 1957 epic novel of Russian life before, during and after the revolution. This could be attacked as literal-minded and was in one Viennese review.

But all that slight the brilliance of the Taganka company's performance and the way that brilliance reflects back onto the subtlety of the artistic amalgamation here. "Homage to Zhiwago" is no opera, Schmitke writes defiantly in the program book. The music constantly supports and expresses the drama. Sometimes it is on tape, when brass and heavy percussion are involved, but it is ingeniously woven in with the live music, which is often played on-stage in costume by the five or six instrumentalists. And some of Schmitke's set pieces, above all unaccompanied choruses setting poems by Alexander Blok and Osip Mandelstam, are serious and intense.

PEOPLE

One 'Cheer' Too Many Ruined Leno's Show

Lost Evening, Live: Jay Leno says televising his "Tonight Show" from a Boston bar after the final episode of "Cheers" was a "huge mistake" because his guests, the cast of "Cheers," were drunk. Leno said that their real drinking was not like acting and the quality wobbled as the show rolled on.

Art by some Big Names opened in a Boston show. "Image Makers — The Rock 'n' Roll Art Expo," with works by John Lemoor, Yoko Ono, David Bowie, Michael Jackson, Bob Dylan, Ringo Starr, Carlos Santana, Donna Summer, Ron Wood, Eric Burdon, Jon Anderson, Miles Davis and Joan Baez. Too much.

In this year's annual ceremony that manages to be both irreverent and politically correct, 31 Obie awards for Off Broadway achievement of various stripes were awarded by New York's Village Voice. Among those honored were Jeanne Alakatis, the recently deposed artistic director of the Public Theater, and Robert Mela, the actor whose performance in "The Sisters Rosensweig" missed out on a Tony nomination.

Rob Cohen, director of "Dragon: The Bruce Lee Story" has chopped the film's key fight sequence so it can be shown in Britain. The biographical film about the late martial arts star was banned by the British Board of Film Classification because it featured an outlawed Asian hand weapon called a manchu.

The Spanish poet Claudio Rodriguez, 59, Friday was awarded the Prince of Asturias Prize for Literature by a jury in Oviedo, Spain. Crown Prince Felipe, the Prince of Asturias, will present the prize in the fall.

Melanie Griffith fainted at her home in Aspen, Colorado, apparently because of fatigue or stress, and spent a night in the hospital.

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WEATHER

Forecast for Sunday through Tuesday, as provided by Accu-Weather

Table with weather forecasts for Europe, Asia, Middle East, and Latin America, including high/low temperatures and conditions.

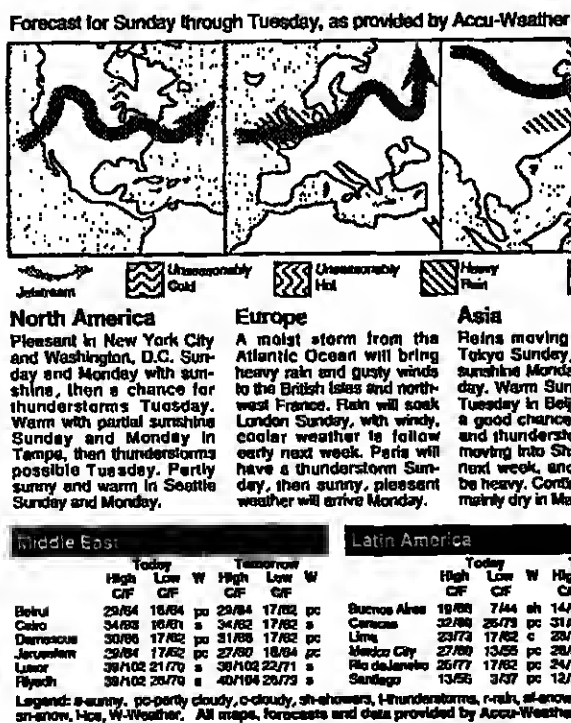


Table with weather forecasts for North America, Europe, and Asia, including high/low temperatures and conditions.

BOOKS

THE DAY

By Douglas Hobbie. 241 pages. \$22. Holt.

Reviewed by Jonathan Yardley

THE day of Douglas Hobbie's title is Thanksgiving, 1991: to be precise, Nov. 28, exactly one year after the suicide of Clare Wells, the middle-aged eldest daughter of a prosperous WASP family with deep New England roots. Now the family is gathering as it does each year at the household of the middle sister, Penny, for a "moment of family reunion, so fraught, as all such meetings were, with the implicit strain of blood ties" — all the more fraught this time because of the dark and pain-

ful memory that hangs over the occasion.

We see it through the eyes of Jack Fletcher, husband to Gwen, youngest of the daughters, and father to their two children. He is an erstwhile counter-culture, now an architect whose practice is struggling, as well as a person encountered often in novels of WASP manners: one who stands half inside, half outside, privy to the rituals of the clan yet at a remove from them.

Mom is Patricia Wells, a passive-aggressive woman who dresses perfectly and always has the just the right words on the tip of her tongue, words designed to evade anything unpleasant, anything that might reflect unfavorably on the family.

Curly, the two daughters and their husbands, five grandchildren — as well as one outsider, Liz, an attractive woman in her 20s who has befriended Penny's grown daughter, Mary.

It is the official view of the Wells family that Clare's suicide had nothing to do with them, that there was nothing they could have done to prevent it. She, after all, was in California and they in Massachusetts, and for years an "absurd separation" had divided them from her.

Hobbie is stronger on perception than on narrative; the novel creeps along at a pace not much faster than that of the interminable holiday itself, slowed down by too many long conversations that cannot be of much interest to any save those involved in them. Hobbie is a serious

and talented writer, but "The Day" needs less talk and more energy.

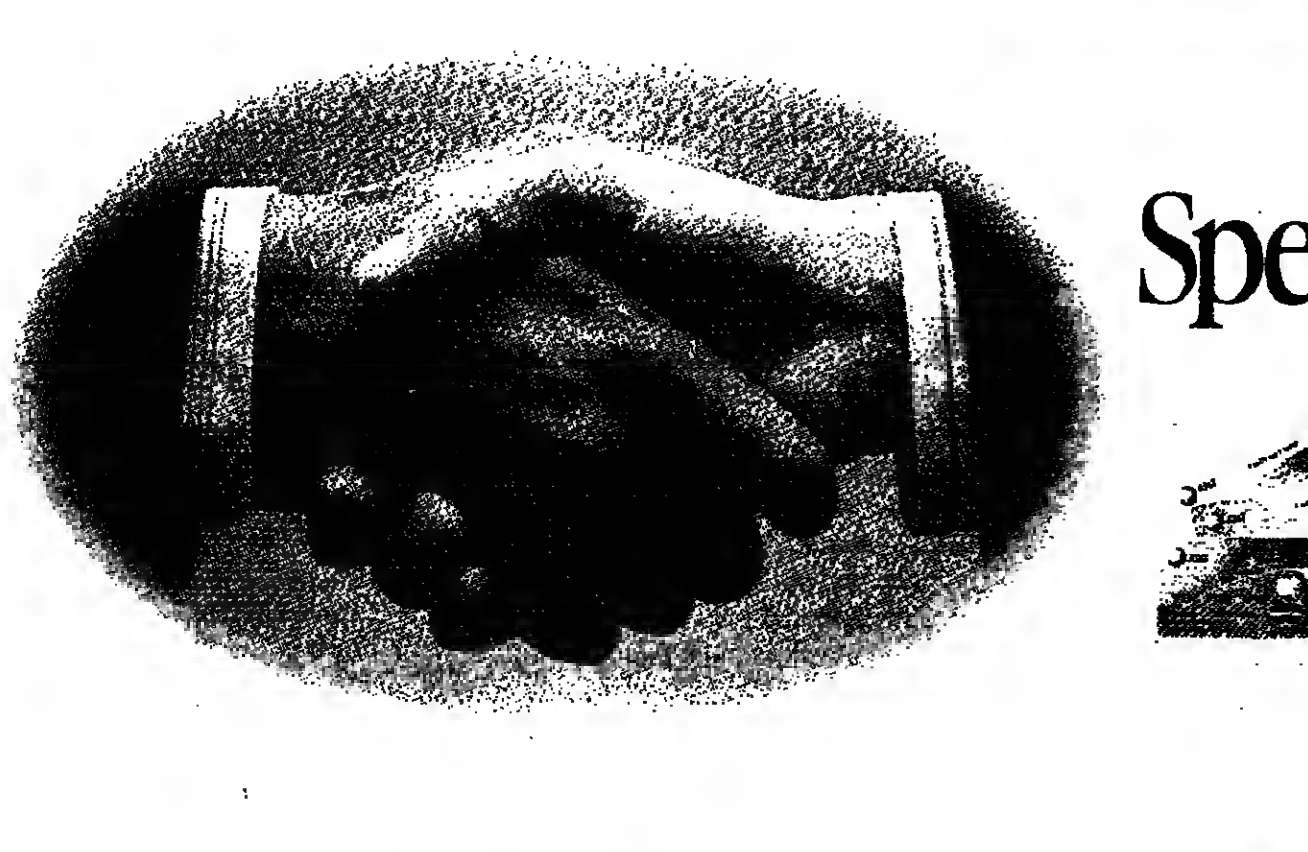
Jonathan Yardley is on the staff of The Washington Post.

Solution to Puzzle of May 22-23

Grid solution for a crossword puzzle, showing letters in a grid format.

TV GUIDE By A. J. Santora

- ACROSS 1 Secretary of the Interior, 1956-60. 7 Science sounds. 12 Intrepidity. 17 Law governing payroll deductions for Soc. Sec. 21 Yec-Lupin. 22 Of Mandela's culture. 23 Pointless. 24 Actor Dixon. 25 Single parent with family values? 28 Tense of music hall larc. 30 Originate. 31 Small Monday. 33 Marquillage. 34 Diet's "turn-down". 35 Unpackaged. 36 "Nancy" rich kid. 37 Darling or Ely. 40 Curia garment. 41 Cheat. 42 Casocade. 43 Emblem tag-on. 46 Prof's connoisseur. 48 Doctor with bedside manner? 53 "Exodus" role. 54 Sans vivesse. 56 "Herman" writer. 57 Stimulate. 58 Troubled. 60 Franco's January. 61 Sewer worker in "The Honey-mooers". 63 Assemble. 64 N.H. city. 65 Staffers. 66 Touch upon. 67 Pay attention. 68 Unstatured. 69 TV's "Tic-Dough". 70 U.S. reconnaissance satellite. 72 Lacerate. 74 Carlo Bergozzi, e.g. 75 Agitated state. 77 Comic operatives? 81 A hardwood. 84 Banned. 86 Pleasant. 87 Heavenly butter. 89 L.J.E., 1992 Derby winner. 90 Nonprofessional. 92 Ray of Hollywood. 94 Swift's "A Tale of...". 95 "...it is in — warm". 97 Rot-resistant wood. 98 Affront. 99 Sense of taste. 101 Boston's airport. 102 Most diminutive. 103 Sound. 104 Frankfurt's river. 106 Take-out order. 108 Ending for depend. 107 Grand O-Lepi Ory? 112 "The — fema": Nash. 113 Small spring. 115 Kind of coal or cost. 116 "...Hazard". 117 Vieinage. 119 N.F.L. scores. 120 "— de lune," Debussy opus. 122 Trade centers. 124 Frightens. 126 Eighth part of a circle. 128 "Thirst-day" stop? 129 Mad as — hen. 130 Key. 134 Groucho's brother and close cousin? 138 Honeycombed home. 139 Calvin of the P.G.A. 140 Lassitude. 141 "All the world's —", Shk. 142 West like Jehu. 143 They go to blazes. 144 Fraser of tennis. 145 Maureen and John. 1 Ned's slugger. 2 Vulgar and Mundane. 3 "The Nazarene". 4 Giggie. 5 Like O'Neil's "lie". 6 "— Blu, Dipinto di Blu". 7 Walston on TV. 8 Proposal. 9 "Eugene —", 1832 novel. 10 Kind of picker. 11 Rowe of Tiger fame. 12 Bug of a sort. 13 Hoek. 14 Some of many strikes. 15 Yoko. 16 Put in a good word for? 17 Leg bone. 18 TV tabloid expose headline? 19 Mason's job. 20 Fornicary-demi-gods. 26 Siouan tongue. 27 Draw forth. 28 Money in Catalan. 34 Lethargic. 35 César Franck's birthplace. 36 Alley button. 67 Dislike intensely. 68 Columbus Day, e.g. 71 Author of 95 Acres. 72 Beethoven's "Archduke —". 73 Rel. of ditto. 74 Fox or Crow. 76 Sotheby. 78 Hurricane that rained 5 Fla.: 1992. 79 Wayne hit film. 80 In — (bogged down). 82 Mad bunny. 83 Open drains. 85 Job; position. 88 Bourne. 99 Famed Sing Sing penologist. 91 Awl, in Arles. 92 Ho hello. 93 Bertolucci film. 94 Hebrew letters. 96 G.I. who can't shoot straight. 98 Tip. 99 British traffic cops. 100 Adieu, in Avila. 105 Facet. 108 Inscription in memoriam. 109 Where the eagle has landed. 110 Harper from Suffern, N.Y. 111 Muse for Sappho. 114 Got third money. 118 Blind. 121 Up: Comb. form. 122 Photo finish. 123 Timber trees. 124 Terrible. 125 Bag man. 126 Protest singer-songwriter Ph. 127 Block fragment. 128 Keats feat. 129 Kerr role. 131 "— Love," by Harry Crews. 132 Distant or noetic. 133 Heelaps. 135 Modernist. 136 One, to Burns. 137 "— II," DeLillo novel.



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Large vertical advertisement on the right edge of the page, partially cut off. Text includes "Beijing. A New Dawn Hours After Ramadan" and "Kiosk".